

صباح الخير

August 1 1996

# FINANCIAL TIMES

## Financials

with the rise and to be even exacerbated by thin money.

HERANKI was helped ahead some month end buying in average cautious trade and index index registered a rise...

OSCO stayed under pressure, as only significant volume came from the oil and industrial complex.

ate cut... The price selective buying after the first decline in the...

Lawson was shut down by... The FT website provides online news, comment and analysis at http://www.ft.com

FT.com: The FT website provides online news, comment and analysis at http://www.ft.com

STOCK MARKET INDICES... New York Stock Exchange... Dow Jones Ind. Av. 5,914.75 (+55.84)

OTHER RATES... 3-6m 3-month 5.52% (54.94) 3-6m 6-month 5.33% (57.81)

INTERNATIONAL... London 2,557.2 (1,597.1) New York 5,914.75 (+55.84)



### Mexico's Zedillo

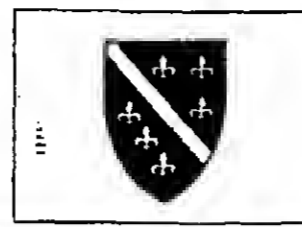
Condemned to live with the past

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### The fuel cell

New prospects for an old technology

Technology, Page 8



### Bosnia

Longer and broader commitment needed

Europa, Page 11



### TOMORROW'S Weekend FT

To ban or not to ban?

## German economic growth expected to pick up next year

The growth rate of the German economy should pick up again next year, but the Ifo economics institute is forecasting a 2 per cent rise after only 0.76 per cent growth this year. It warned that high unemployment would persist as industry continued to rationalise in an attempt to cut costs and increase competitiveness. Page 13

### Shell seeks polyester alliance

Royal/Dutch Shell said it hoped to announce a polyester alliance that would lift its underperforming chemicals business. It reported second-quarter profits down 8 per cent to £1.18bn on a replacement cost of supplies basis. Page 13; Lex, Page 13

### Silicon Graphics chief quits

Silicon Graphics, the US computer workstation manufacturer, reported better-than-expected fourth-quarter results and said Tom Jermoluk, president and chief operating officer, was leaving the company. Page 13

### Vesco on trial in Cuban US-born financier

Robert Vesco, sought by US authorities for more than 20 years, went on trial in Cuba for "acts prejudicial to the economy, fraud and illegal economic activity". Page 4

### Bank of France cuts repo rate

The Bank of France cut its five-to-10 day repo tender rate by 0.15 points to 4.75 per cent, following its strategy of a steady series of small reductions over the past few months. Page 2

### Malaysia plans multimedia super-corridor

Malaysia unveiled its most ambitious project so far, a multimedia super-corridor. Prime minister Mahathir Mohamad (left) called it a "pioneering world-first", which he hoped would attract investment from the world's top information technology companies and boost economic growth. The government will spend US\$3.2bn building an IT city large enough to support 100,000 residents and attractive enough, it hopes, to lure some of the world's leading IT specialists. Page 3; Europe seeks role in chip pact. Page 6

### Thailand defends bank

Thailand's central bank has spent more than three hours, or nearly 3 per cent of its foreign reserves, fighting off a renewed attack on the baht over the past week, the central bank revealed. Page 12

### World Bank doubts funds for poor

The World Bank executive board allocated \$600m of the net income it earned in the last financial year to its troubled soft-loan arm for poor countries, more than double last year's contribution. Page 5

### Deallock over N-test pact

Talks on a pact that would outlaw all nuclear testing were deallocked over the text of a treaty due for signing at the United Nations next month. Page 5

### EasyJet attacks KLM on pricing

EasyJet, the low-cost UK airline, accused Dutch carrier KLM of predatory pricing and abuse of a dominant position on the Amsterdam-London route. Page 6

### France launches bank sale

The French government launched the sale of Compagnie Financière du CFC, the country's second-largest state-controlled bank. Page 13

### South Korea's deficit reaches \$10.3bn

South Korean exports dropped in July for the first time in 42 months as the trade deficit reached \$10.3bn for the first seven months of 1996. Page 8

### Australian opposition in spending row

Australia's federal opposition alleged that the coalition government planned to abandon a pledge to provide superannuation co-contributions to workers, in an attempt to cut its spending by up to A\$4.5bn (US\$3.6bn). Page 3

## Cows shown to transmit disease to calves

# UK findings on BSE may delay lifting of beef ban

By Deborah Hargreaves in London and Neil Buckley in Brussels

British scientists have discovered that BSE, or mad cow disease, can be transmitted from cows to their calves. The announcement raised fears that the UK government may have to increase its selective slaughter programme of cows and that the phased lifting of the world ban on UK beef exports may be delayed.

Mr Keith Meldrum, the UK's chief veterinary officer, told scientific veterinary experts from European Union states in Brussels yesterday that experiments by the UK Ministry of Agriculture over the past six years pointed to the disease being passed from mothers to calves at the rate of 1 per cent.

The research may raise questions about extending the cull of British cattle - due to start in October - beyond the 147,000 considered most at risk of contracting BSE.

"We will have to re-evaluate our eradication programme and see if any changes have to be made," said Mr Meldrum. If so,

he added, changes would be put to the European Commission and member states next month.

Mr Lars Hoelgaard, Danish chairman of the veterinary committee, warned that an increase in the cull could postpone the start of the phased lifting of the world ban on UK beef exports.

Researchers do not know how the disease is passed to calves - it could occur in the uterus, at birth or soon after. The ministry said there was no evidence it was passed through milk, as calves born to dairy cows do not drink their mothers' milk.

The ministry has always said there was a slight possibility of such a finding and sought to play it down. "It is important to keep this information in perspective... there is no case for changing the cull in relation to milk, meat, blood or any other product which is currently permitted," said Mr Douglas Hogg, UK agriculture minister.

But Britain's Consumers' Association reiterated its advice to shoppers that the only way to be absolutely safe was to eat no beef at all. "Calves born to cows in the pre-clinical stages of BSE

could have got into the human food chain," said Mr David Dickenson from the association.

The evidence that cows can pass on the disease helps explain the incidence of BSE among cattle born after the ban on contaminated feed - which is believed to have caused BSE - in 1988.

Government figures show that 26,402 cattle born after the feed ban have since contracted BSE. Some 1,200 calves born to those cattle have also contracted the disease, but the ministry stressed this was not proof that all such cattle caught the disease from their mothers.

The UK National Farmers' Union said the research showed the likelihood of maternal transmission to be far too low to sustain the BSE epidemic.

The number of new BSE cases has dropped below 200 a week, compared with 1,000 at the height of the crisis in 1993 and the government expects the disease to be virtually eradicated by 2000.

Mr Richard Carden, head of the ministry's food and safety directorate, said maternal transmission would not prevent the eradication of BSE.



The Kremlin has set itself on a collision course with Russia's fragile middle class by imposing a new border tax on small-scale importers...

## Boeing in \$3bn deal to acquire part of Rockwell

By Richard Waters in New York

Boeing took a step forward yesterday in its plans to become one of the prime defence and space contractors in the US when it announced a \$3bn deal to buy Rockwell's operations in these sectors.

The US commercial aircraft maker has held merger discussions with other defence companies, including McDonnell Douglas, but has failed until now to play a part in the consolidation that has swept through the US defence industry.

The acquisition will give Boeing the lead in the US space shuttle programme, along with a stronger presence in defence electronics and missiles.

Including Rockwell's \$3.2bn of sales from defence and space, Boeing would have recorded total sales in these areas of \$8.8bn last year. That leaves it well behind the new giant of the industry, Lockheed Martin, which has made several big acquisitions in the past three years to build a company with sales that will top \$25bn this year.

For its part, McDonnell Douglas is reported to be discussing a merger with Raytheon, a combination that would create a company with total sales to rival those of Lockheed Martin.

The latest acquisitions come as Lockheed, McDonnell and Boeing position themselves to bid for the US Joint Strike Fighter programme, a contract for 3,000 fighters.

Yesterday's announcement marks a rare deal for Boeing, which has not made a big acquisition for 10 years. To avoid tax, the Seattle-based company will issue \$60m of stock and assume \$2.165bn of Rockwell's debt.

With the Rockwell acquisition, Boeing will become a maker of space shuttle engines and power systems for space stations, as well as electronics systems for aircraft and navigation equipment. Rockwell has been one of the main contractors for the B-1 bomber.

Mr Frank Shrontz, Boeing

Continued on Page 12  
Lex, Page 12

## US regulators detail telecoms overhaul

By Richard Waters in New York

US regulators yesterday unveiled the details of a partial deregulation of the country's local telephone markets - and promised a more thorough overhaul by May.

The plan follows the passage earlier this year of the Telecommunications Act - which provides for open competition in the country's \$170bn-a-year telephone industry.

Yesterday's announcement, from the Federal Communications Commission, gives the basic ground rules for competition and had been anxiously awaited by the country's local, long-distance and mobile telephone companies.

At issue is how each should charge the other for the use of

### Plan sets rules for deregulation of local suppliers

services. This is a central question in the US because competition in the country's monopoly local telephone markets is likely to come about through rivals buying space on existing networks rather than building new ones.

Under the new legislation, the local companies must open up their own markets before they are allowed to compete in long-distance services.

The regulatory agency has set out several rules to help determine how the costs of running local telephone networks should be shared. These will lead to some short-term gains for providers

of long-distance and mobile phone services.

The rules include:

- Companies offering long-distance services that choose to buy only parts of a local company's services, then assemble their own services, will pay 75 per cent of the access charges. Those which provide their own switching, meanwhile, will not pay any access charges at all.
- Long-distance companies will receive a discount of between 17.25 per cent when buying capacity on local company's networks, for resale to their own customers.

charge access fees to help subsidise universal low-cost residential services. Under this year's Act, regulations on how such universal services should be provided will have to be completed by May 8 next year.

The FCC has largely delayed the question of how to reform general access charges. It said yesterday that it would consider overhauling access charges when it reviews the obligation of local telephone companies to provide a universal service in their areas.

The local telephone companies, or Baby Bells, say they have to

## Clinton welcomes fastest rate of growth for two years

By Michael Prowse in Washington

The US economy grew at an annualised rate of 4.2 per cent in the second quarter, its fastest for two years, the Commerce Department said yesterday.

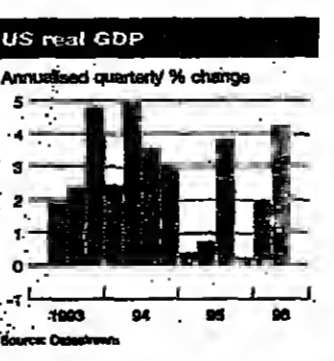
President Bill Clinton hailed the figures as "more evidence that our economy continues to surge ahead and that our economic strategy is working".

In financial markets, investors took heart from tentative signs that growth might slow in the third quarter, reducing pressure on the Federal Reserve to raise short-term interest rates.

Share and bond prices rose sharply following a report showing an unexpected decline in an index known to be monitored by Mr Alan Greenspan, the Fed chairman.

The Purchasing Managers' Index fell to 50.2 per cent from 54.3 per cent in June, indicating a slowdown in manufacturing last month. Readings of about 50 per cent indicate zero growth in factory output.

Investors were encouraged by a fall in a part of the index measuring commodity prices. The data on gross domestic product also showed an easing of inflationary pressures in the second quarter.



In mid-afternoon trading, the 30-year Treasury bond was up more than 1/4 points, pushing the yield down to 6.829 per cent. The Dow Jones Industrial Average was up 62.21 at 5,596.12.

The 4.2 per cent growth rate exceeded Wall Street expectations and followed revised estimates of 2 per cent and 0.3 per cent in preceding quarters.

The expansion was broadly based, with consumer spending growing at an annualised rate of 3.7 per cent, up from 3.5 in the first three months.

Growth was also boosted by a rebuilding of corporate inventories and a rapid rise in government spending.

The increase would have been faster but for a slowdown in busi-

ness capital spending and a widening of the trade deficit.

Analysts said the Fed's decision on interest rates would depend on its assessment of the economy's current momentum. The central bank is looking for signs that growth is slowing to 2.25 per cent, seen as consistent with stable inflation.

The weak purchasing managers' report pointed to some slowing from the second quarter, but separate data on weekly claims for unemployment benefits suggested continued economic strength. In the week to July 27, claims fell to the lowest level in seven years.

Mr David Jones, chief economist at Anheby G Leuzon, a New York stockbroker, said the weak manufacturing data had reduced the chance the Fed would raise interest rates at its August 20 policy meeting.

Mr Jim O'Sullivan, an economist at J.P. Morgan, the New York bank, said the purchasing index was "not the last word" because it had recently been a poor predictor of economic activity. The Fed's decision would depend on employment figures for July, due out today.

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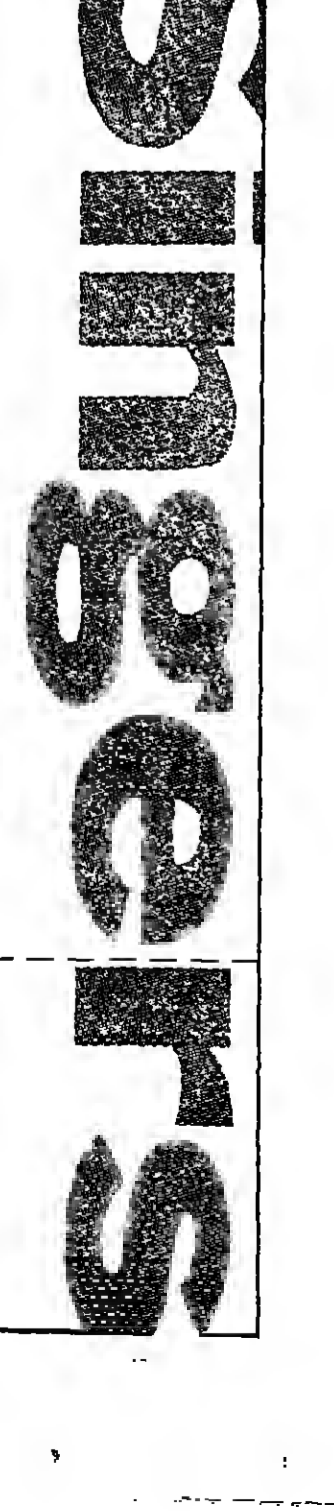
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NEWS: EUROPE

# Kremlin demands its cut of Russia's suitcase-trade

The Kremlin yesterday set itself on a collision course with Russia's fragile middle class when it imposed a new border tax on the 10m small-scale importers who bring cheap consumer goods into the country in suitcases or backpacks.

The move - breaking a promise by Mr Boris Yeltsin during his recent presidential re-election campaign - is part of the government's determined effort to boost the nation's low tax take, which has delayed disbursement of a loan from the International Monetary Fund and threatens to derail Russia's economic stabilisation programme.

The tax authorities say the nation's biggest, richest companies are the main culprits for their failure to pay existing taxes, but the

**A new border tax on small-scale importers not only breaks a poll pledge but also threatens one of the few sources of income for the beleaguered professional classes, writes Chrystia Freeland**

government has been reluctant to penalise its business allies. Buses, trains, ships and aircraft between Russian cities and popular shopping destinations such as Turkey, Poland, China and South Korea are packed with shuttle-traders, who return bearing cumbersome sacks of consumer goods which they then sell at outdoor markets.

Thanks to their efforts, the markets which have sprung up in every Russian town and city are now filled with electronics from the United Arab Emirates, leather goods from Turkey, cheap, colourful dresses produced in Chinese sweatshops and other consumer goods

from dozens of countries. The business-tourists have become so ubiquitous in Istanbul, a favourite shopping spot for European Russians, that they are generally known as "Nataschas" and find their way around guided by the Cyrillic signs posted by Turkish merchants eager for a piece of the thriving Russia trade.

Politicians and entrepreneurs have warned that by targeting the small-scale merchants, who import an estimated \$10bn worth of goods each year, Moscow risks revolt by Russia's beleaguered professional classes by destroying one of the few sources of income open to them.

Led by Mr Yuri Luzhkov, Moscow's outspoken mayor who has a sure feel for populist politics, the small-scale importers have denounced the new regulations as an ill-considered policy which will raise the price of consumer goods and further impoverish the masses of corrupt customs officials, but bring little fresh revenue to the treasury.

"Most traders will become jobless and join the unemployed masses of our country," said Mrs Olga Elkova, president of Tourism and Entrepreneurship, a recently founded lobby group established to defend the traders' interests. "This will not

help fill the budget. The only people who will benefit are the customs officers, who work for their own pockets."

Most of the "shuttle-traders" or "business-tourists" are trained in professions such as medicine, law and scientific research who have turned to petty trading to support lives displaced by the collapse of the Soviet Union. Paradoxically, they represent the social layer which has most staunchly supported Mr Boris Yeltsin, who was elected last month to a second presidential term and who promised during his campaign not to levy new taxes on shuttle-trading.

Under the new rules the shuttle-traders duty free limit has been reduced to \$1,000 or a maximum of 50kg, from the previous ceiling of \$2,000 with no weight ceiling. Imports exceeding this threshold are now subject to a 30 per cent tax, or no less than 80 cents a kg.

In a sign that a civil society is beginning to emerge from within the atomised Soviet populace, Russia's shuttle-traders have mounted a fierce lobbying campaign against the new rules.

They have enlisted the support of travel agencies, who depend on them for a considerable part of their trade, and have won sympathy in a

nation which has grown accustomed to the cheap goods they supply and has grave doubts about the propriety of customs officers and tax collectors.

The shuttle-traders are even making an attempt to recruit Russia's powerful military to their cause. As many as half the small-scale importers are retired officers unable to support their families on pensions of little more than \$100 per month.

"This decision will be a serious blow to the officer corps," said Colonel Eduard Rodlukov, president of Strategia, an organisation which helps laid-off military personnel find jobs. "At any market where the shuttle-traders do business you could easily put together a PhD committee. Our best scholars, our best officers are living off this business."

## Italian parties pass fiscal measures

By Robert Graham in Rome

The Italian government yesterday forced its 1,165,000bn (\$10.8bn) mini-budget through parliament before the summer recess, clearing the ground for discussion of the 1997 budget in September.

The package, approved in cabinet on June 18, is essential to hold this year's budget deficit down to the target of 5.9 per cent of GDP.

It was the first major act of the new centre-left government headed by Mr Romano Prodi, the Bologna economics professor, and consists of a careful mix of spending cuts - the bulk of the package at 1,110,000bn - and new fiscal measures, including a slight squeeze on corporate earnings.

Even though all parties accepted the need for the mini-budget and there was little real discussion about the measures, its passage through parliament was eventful, partly because the centre-left Olive Tree alliance still lacks internal cohesion.

The mini-budget debate was used as a means to test the relative weight of the various parties and the degree of support provided from outside the alliance from the marxists in Reconstructed Communism.

It also gave the opposition a chance for to flex its muscles. The rightwing alliance headed by Mr Silvio Berlusconi, the former premier, was caught between trying to appear responsible by backing necessary austerity and the desire to make life difficult for the new government.

As a result the Berlusconi-led alliance oscillated between co-operation and obstruction - its main tactic in recent days has been refusing to turn up in parliament, denying the necessary quorum for debate.

The populist Northern League, headed by Mr Umberto Bossi, chose to obstruct business by tabling as many amendments as possible to draw attention to arguments for a federal structure for the Italian state.

The government got round these amendments by calling its first vote of confidence on Wednesday, which it won comfortably by 319 to 284 votes in the chamber of deputies. The government has an absolute majority in the Senate.

The parliamentary atmosphere has given a foretaste of the problems that lie ahead when the 1997 budget is discussed after the summer recess.

It was also a dress rehearsal for the skirmishes and squabbles ahead in the formation and operation of a bicameral commission to study reform of Italy's 1948 constitution.

## Bank of France trims repo rate

By Andrew Jack in Paris

The Bank of France yesterday cut its five-to-ten day repo tender rate by 0.15 points to 4.75 per cent, following its strategy of a steady series of small reductions over the past few months.

The move, decided by yesterday's meeting of the monetary policy committee, is the first since April when the rate fell by 0.60 points to 4.9 per cent. The central bank's interven-

tion rate was reduced by 0.05 points to 3.55 per cent at the start of this month.

Some analysts interpreted the decision as signalling the start of continued budgetary rigour in spite of the latest rise in unemployment and growing union concern at discussions over job cuts in the public sector likely to take place next year.

The cut also follows growing criticism of Bank of France policy in recent weeks. In a

television interview on July 14, President Jacques Chirac implicitly criticised the bank and suggested that the small business sector was suffering because rates were too high.

Mr Marc Blondel, leader of Force Ouvriere, the union which helped trigger social unrest in last November following opposition to proposed changes in social security, also suggested this week that the Bank of France had too much power.

Official figures released on Wednesday showed that the number of job-seekers increased by 0.7 per cent in June, bringing the unemployment rate up to 12.5 per cent.

Mr Claran O'Hagan, a bond analyst with J P Morgan in Paris, said he had been expecting a further reduction in the intervention rate, which he believed could still be lowered without upsetting the money markets.

Other analysts suggested that the reduction was largely symbolic because there are few transactions at the repo tender rate, which is used largely as a guide to other interest rates and only by commercial banks in an emergency.

"It is pretty much window-dressing," said one. "It has no economic impact. The bank probably felt it needed to do something to show it is independent."

## Bond traders eye currency unit after easing of conversion worries

By Samar Iskandar and Gillian Tett in London

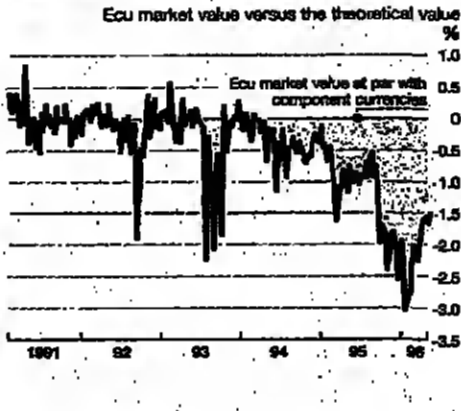
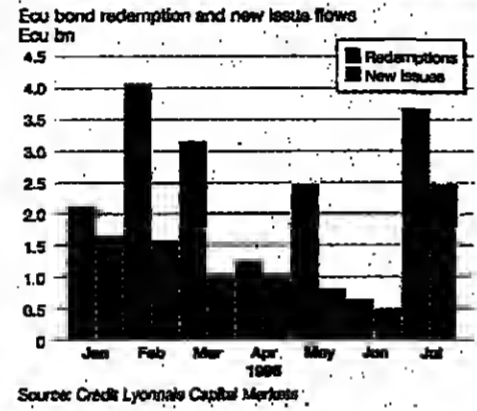
Dealers in European currency unit bonds have had a thin time in recent years. Uncertainties dogging the Ecu market have left the Ecu currency trading at a discount - its value is deemed to be less than the value of its constituent currencies - and volumes have declined.

The basket currency of the Ecu, Europe's common unit of account, has been riven with uncertainty about what would happen to it under European monetary union. Uncertainty in the early 1990s was such that Ecu bond traders' contracts often contained clauses promising compensation if activity in the Ecu vanished.

But, this autumn, new life could be breathed into the Ecu bond market which could smooth the path to Emu itself. Some traders in French and German bonds - which will become obsolete as a result of Emu - are now eyeing the Ecu business as a possible future focus for work.

## Europe's ailing Ecu set for new lease of life

The Ecu: uncertainty plagues the market



The European Commission has made a fresh move to bolster confidence in the Ecu market by declaring that all Ecu bonds related to European institutions will be fully convertible after 1999. This includes bonds whose terms specified they would be redeemed in existing European currencies.

Mr Yves-Thibault de Silguy, economic affairs commissioner, said a retrospective guarantee would be given to ensure these bonds would be converted at a rate of 1:1 into euros when European monetary union started in 1999.

The move marks an attempt by the Commission to calm market unease about the legal uncertainties surrounding the Ecu market. Although it was agreed at last year's Madrid summit that all Ecus should be converted into euros at 1:1, the legal framework for this will not be issued until the autumn.

Some traders welcomed yesterday's decision, and predicted that it could boost the Ecu market. But some lawyers in London thought it would be almost impossible to apply this principle to contracts between private parties.

helped recent bond issues, but there has been uncertainty about whether it would be upheld in law in a way that would apply to all contracts, particularly contracts initiated when the process of Emu was less clear.

Financial institutions have also been worried about how to

issue new Ecu contracts in order to ensure that their legal status is watertight.

This concern was partly resolved yesterday by an agreement between the International Primary Markets Association and International Swaps and Derivatives Association. They propose a standard form

this situation on Wednesday, when it applied the 1:1 conversion rule to all its existing contracts, including some that were issued before the move to a single currency had even been decided.

Next month it will publish legal proposals aimed at enforcing the conversion of all Ecu bonds at the official rate.

Industry bodies insist that, to revive the Ecu bond market, the Commission's proposals must end uncertainty. Some dealers even hope that the entire market could be relaunched after this week's announcement.

These hopes received a further boost yesterday when a joint report from the Bank of France and French financial groups in Paris called for expansion of the Ecu market in the year before Emu starts.

Financial groups believe this could help create more liquidity in the future euro market, smoothing the transition to Emu. Mr Steven Major, an Emu expert at Credit Lyonnais, has repeatedly insisted that a relaunch of the Ecu market could provide a clever technical solution to the question of how to lock currencies into the future Emu.

If the Ecu becomes more popular, its actual and theoretical values might start to match each other, giving more weight to the argument that the Ecu could be used to smooth the transition to Emu.

These hopes may be over-optimistic, but there are strong hopes in France that Paris would be an important centre of Ecu trading if an Ecu market were relaunched before 1999.

## Bildt voices pessimism about Bosnia

By Laura Silber in Belgrade

International mediator Mr Carl Bildt has given a blunt warning that hardline nationalist politicians who wielded power during the Bosnia war will probably hold or even improve their positions in forthcoming elections.

In an article in today's Financial Times, Mr Bildt also calls for US, Russian and west European participation in a "smaller but very robust" military force to succeed Nato's peace implementation force (Ifor) in Bosnia.

His belief in the desirability of a post-war military operation is shared by most US officials involved in the region.

However, President Bill Clinton and Mr Tony Lake, his national security adviser, are understood to be reluctant to commit themselves to this idea.

Mr Bildt, who is in charge of implementing the civilian side of the Dayton peace agreement, said the chances of Nato drop in influence for the three ethnically based parties in Bosnia were "approaching zero". Senior western diplomats said this pessimism was widespread among policymakers, but US officials until now had not made such gloomy prognoses in public.

In a call for Washington, Moscow and western Europe to co-operate, Mr Bildt said the composition of a follow-up military mission must "reflect the transatlantic coalition which - with Russian participation - is so actively pursuing the peace effort."

At a Nato meeting in mid-June, Russia said it was prepared to support a post-Ifor mission, both at the UN and on the ground. But it hinted strongly that such support might be conditional on Nato backing up on plans to enlarge.

President Clinton promised last year that the US contingent in Ifor would only be deployed for a year. Any departure from this timetable could be an embarrassment in the run-up to the presidential elections.

One senior western diplomat said Mr

Bildt was bringing into the open an issue which had been discussed in private. "It is conventional wisdom that there will be a follow-on force after Ifor," he said. "But no one is saying so because of political reasons."

Against this background, western officials were struggling yesterday to remove obstacles to implementation of the Dayton accords, including a political impasse in Mostar. Mr John Kornblum, the top US envoy to the region, yesterday met the city's Croat leaders who are boycotting the city council after narrowly losing elections on June 30 aimed at reunifying Mostar.

Extend the brief on Bosnia, Page 10

## Rising wealth threatens Ireland's EU aid

Finance minister Ruairi Quinn tells John Murray Brown he wants the rules changed

Ireland is likely to seek a change in the rules governing European Union funds to ensure that the country continues to receive regional aid.

The Irish receive more EU assistance per head than any other member state but growing prosperity means it would be unlikely to qualify for any regional funds by 1999, when the next five-year round begins.

Mr Ruairi Quinn, the Irish finance minister, said in an interview that EU enlargement, shifting the Union's demographic centre of gravity eastward with the accession of the populous central and east European countries, would make Ireland's peripheral status more acute.

The issue is likely to be raised later this year when Ms Monika Wulf-Mathies, the regional affairs commissioner, holds a conference in County Cavan, where member states will report on the use of regional funds.

Monies from the EU - through farm support and regional funds - contribute around 2 per cent of Ireland's gross national product. If they were withdrawn, the country's currently healthy ratio of budget deficit to GNP of just over 1 per cent could rise close to the 3 per cent limit set under the Maastricht conditions for monetary union.

Per capita income has increased from 63 per cent of the EU average in 1989 to 89

per cent in 1995. Under current projections, Ireland will overtake the UK by the year 2000, said Mr Quinn.

Ireland no longer qualifies for structural funds, which are available for countries which have a per capita income less than 75 per cent of the EU average. By the time of the next round of negotiations, it will no longer qualify for cohesion funds, which are targeted at infrastructure in the peripheral economies of Greece, Portugal, Spain and Ireland.

To make its case for additional monies, Mr Quinn says Ireland will argue that it is more reasonable to use GNP, which measures the wealth produced by a country, rather than gross domestic product,

which measures the wealth produced within it.

The gap between the two in Ireland is currently 2.3 per cent points, as GDP includes large transfers by multinationals - which account for 50 per cent of exports - in terms of profit repatriations and royalty payments.

"If you want to compare like with like, then in our case, the GNP is a more accurate figure. Of course, we will make that argument, although we haven't got into making it formally."

The minister said Dublin was considering the possibility of arguing that Ireland be designated as a series of regions, the poorest of which would qualify for structural funds, as happens in the UK, for example.

Mr Quinn said the country's infrastructure was still deficient. Ireland is also the most export-dependent economy in the Union apart from Belgium, and transport by ferry and long road or rail routes add 8 per cent to export costs.

He said he looked forward to the day when Ireland would be a net contributor to the EU. But, he said, "if the single market is to mean anything, we should ensure that we have reasonable access to that market in terms of costs. We are disadvantaged. Any political or economic union would recognise the disadvantage of areas that are physically disconnected."

### EUROPEAN NEWS DIGEST

## Court dismisses Nazi charges

An Italian military tribunal yesterday dismissed charges against former Nazi officer Mr Eric Priebke over his part in the execution of 335 Italians during the closing stages of the German occupation of Rome.

The court's ruling that he was guilty but that the crimes were covered by a statute of limitation was greeted with chaotic scenes of protest outside the Rome courtroom by relatives of those killed. The state-led prosecution said it would consider an appeal.

The trial was the first important war crimes case in Italy since the aftermath of the second world war, and was brought after Mr Priebke, now 83, gave an interview to an American TV network at his home in Argentina.

No previous effort had been made to arrest him even though he had visited Italy and he was living under his own name. Mr Priebke was extradited last year to be prosecuted for events for which his superior officer had accepted responsibility and been sentenced by an Italian court many years before. His defence was that he was obeying orders. *Robert Graham, Rome*

## Fire damages Corsican courts

A serious fire damaged parts of the law courts in Bastia, the largest town in Corsica, early yesterday, destroying documents, and damaging the offices of the National Institute for Assistance to Victims which had been co-ordinating aid to the 1,500 injured in the collapse of the Furiani football stadium in May 1992.

Investigators would not say yesterday whether the fire was accidental, or linked to the nationalist violence which has afflicted the Mediterranean island over the last few years. They indicated that no automatic fire extinguisher had been installed after the building was renovated two years ago.

Government buildings have been frequent targets of attacks for clandestine groups, although most have taken the form of bombs rather than fires. *Andrew Jack, Paris*

## Iceland vs Greenland over fish

A fisheries dispute between Iceland and Denmark has escalated, after the Icelandic government declared that Danish trawlers would not be permitted to fish in a 10,000 sq km area of the north Atlantic between the coasts of Iceland and Greenland, over which Iceland and Denmark are in dispute.

An Icelandic fisheries inspection vessel this week asked three Danish trawlers to leave the area. The Danes claim the two countries agreed in 1988 that trawlers with a licence from Greenland, including Danish trawlers, would be allowed to fish there. The Icelandic government denies the agreement exists. Greenland is a self-governing province of Denmark, which conducts its foreign policies. *Hilary Barnes, Copenhagen*

## Franco-German troop talks



Mr Charles Millon, French defence minister, (left) will meet his German counterpart, Mr Volker Rühse, on August 16 to discuss France's plan to pull most of its troops out of Germany. France last month announced a streamlining of its armed forces, disbanding 38 regiments mainly in Germany, closing barracks, and retiring one of two aircraft carriers. The number of French soldiers in Germany is expected to fall from 20,000 to 8,000 during three years. Mr Millon has said the controversial plan is part of a shift to a smaller all-professional army for the 21st century. *Reuter, Paris*

## Finland eases telecom rules

Finland has further liberalised its telecommunications laws to make it easier for operators to enter the telecommunications market.

"We are practically abolishing the licensing system; price regulation will be abolished as far as possible; and we have made more clear the operators' rights to lease lines," a Finnish government official said. "We abolished price regulation because we believe the market is doing it better." *Reuter, Helsinki*

## EU challenges Germany and Spain

The European Commission said it was stepping up its challenge to Germany and Spain over their alleged failure to implement EU insurance directives properly. The Commission is sending reasoned opinions - one step away from an EU court referral - giving the two member states 40 days in which to reply.

The complaint against Germany covers an "indirect infringement" of an EU non-life directive, in which employers are prevented from using the same insurance company for health and other insurance, it said.

The complaint against Spain involves non-implementation of an EU motor insurance directive, requiring member states to set up a body dealing with compensation for damage caused by unidentified vehicles, it said. This body is supposed to reply to victims' demands for compensation but the Spanish legislation fails to take account of this requirement, the Commission said. *AFX Brussels*

## Turkey debates telecom sale

The Turkish parliament yesterday began debating a new draft law to enable the government to privatise state-owned Turk Telekom. Three previous attempts to sell the company have been thwarted by constitutional hurdles.

Estimates for the amount that the sale can bring in range from \$5bn to \$25bn. Prime Minister Necmettin Erbakan of the Islamist-led government said Turk Telekom's sell-off would be a significant part of the government's revenue-raising package unveiled on Wednesday, though officials have said the sale could not be achieved before mid-1997. *Reuter, Ankara*

# Mahathir unveils multimedia 'super-corridor'

By James Kyngie in Kuala Lumpur

Malaysia, which is already building south-east Asia's biggest airport, the world's tallest office building and a new capital, yesterday unveiled its most ambitious project so far, a multimedia super-corridor.

Dr Mahathir Mohamad, the prime minister, launching the project yesterday, called it a "pioneering world-first", which he hoped would attract investment from the world's top information technology companies and boost economic growth.

He said the "corridor" would comprise a 750 km zone linking Kuala Lumpur's city centre, the new administrative capital of Putrajaya, currently under construction, and the new international airport.

Within the zone, the government

will spend US\$2bn building an "IT-City" large enough to support 100,000 residents and attractive enough, it hopes, to lure some of the world's leading IT specialists. The area will be served by a telecommunications network more powerful than the world's fastest computers require.

One company already attracted is Microsoft of the US, for whom, in the spirit of the corridor concept, the wheels of Malaysia's bureaucracy have spun with rare rapidity.

Mr John Lauer, the director of the US company's Malaysia office, said his permit took just over two months to arrive. Less favoured companies often have to wait six months and some unlucky foreigners have completed three-year tours of duty without ever having received

a formal authorisation for their work.

He added that the company did not plan to establish core research and development activities in the corridor but it was considering engaging in some peripheral research operations there.

The government hopes that the participation of top IT companies will raise Malaysia's technological skills.

"The key for any vision is having good execution," said Mr Lauer. "I think the Malaysian government has a good track record for execution."

Japanese business "guru", Mr Kenichi Ohmae, who is advising Malaysia's government on the plan, said this week that the "super-corridor" would help the economy vault from its current medium technology

base to a "cruising altitude" of prosperity.

Although companies may apply immediately to set up in the super-corridor, the infrastructure is unlikely to be in place for at least another year, officials said.

Dr Mahathir pledged that government red-tape in getting the corridor off the ground would be kept to a minimum so as to ensure a "hassle-free" creative environment. He outlined several incentives: immigration and work permit applications would be simplified; stringent restrictions on employment and foreign ownership which existed outside the corridor would not apply within it; and companies in the corridor would be exempt from corporate tax for up to 10 years and receive priority in the award of gov-

ernment infrastructure contracts.

He also unveiled a "Multimedia Bill of Guarantees", which promises that a set of laws distinct from those in force in the rest of the country would be drawn up to facilitate investment and work in the corridor.

"This is the most impressive proposition that I have seen on a world-wide basis (for locating research and development operations)," Mr Raymond Lane, a senior executive at Oracle Corporation, said. He added that the attitude of host governments to information technology industries had become a key competitive advantage.

Mr Masahiko Kojima, chief executive of Japan's domestic telecoms giant, Nippon Telegraph and Telephone, said that his company was planning a presence in the

corridor but added that details had yet to be finalised.

However, critics are concerned that despite Dr Mahathir's assurance that there would be no censorship within the corridor, limits to the free flow of information may yet be imposed by a government which scrutinises foreign newspapers before distribution and is notoriously sensitive to criticism.

Other observers worry that Malaysia's chronic shortage of skilled labour, especially engineers, will pose problems for those manufacturing enterprises which want to hire locally. And if few Malaysians gain exposure to foreign expertise in the corridor, it could undermine the project's central purpose of nurturing Malaysia's own information technology companies.

## Malaysia deficit forecast to grow

By James Kyngie in Kuala Lumpur

One of Malaysia's top think tanks has revised upwards its projection for the current account deficit after the slower than expected growth in merchandise exports this year.

The Malaysian Institute of Economic Research (MIER) said the country's current account deficit, one of the most closely watched barometers of the nation's economic health, would rise to M\$19.2bn (US\$7.7bn) this year from M\$17.9bn last year.

It predicted a full-year merchandise trade surplus of M\$1.1bn, against a surplus of M\$650m last year. The deficit in the services component of the current account will continue to rise, it added.

Economists are concerned at Malaysia's current account deficit because of the downward pressure which a large deficit tends to exert on the value of the currency, the ringgit.

The deficit also raises worries beyond its means end could have trouble financing the shortfall if foreign investment inflows start to dry up. So far this year, foreign investment has remained buoyant.

The recent easing in exports has been partly due to a fall in global demand for electronic goods, which account for 30.5 per cent of Malaysia's total exports. Slacking electronics sales have hit some Malaysian companies especially hard because wages in the wider economy are rising at almost double the rate of productivity gains, thereby cutting operating margins.

The institute predicted that the slowdown in exports and the agricultural sector would cool gross domestic product growth to 8.5 per cent this year from 9.5 per cent last year. It predicted GDP growth of 8.3 per cent in 1997.

Interest rates are likely to be relatively stable this year but may climb if inflationary pressures are not contained, the institute said in a report. The tight labour market could apply some inflationary pressures through higher wage claims, but inflation is forecast at a relatively stable 3.7 per cent this year.

## Setback for opposition leader in Indonesia

By Greg Earl in Jakarta

An attempt to prop up Indonesia's struggle over democracy on the legal stage made little progress yesterday when a presiding judge failed to turn up on the grounds that he had toothache.

Ousted opposition party leader Mrs Megawati Sukarnoputri had filed charges against the government and the military accusing them of illegally ousting her from the leadership of the opposition Indonesian Democratic party (PDI) in June.

She did not appear at yesterday's court hearing, but in keeping with efforts not to inflame the political situation she called on her supporters not to stage a demonstration outside the court.

The case comes just a few days after four people were killed and over 100 arrested in the worst political violence to hit Jakarta for several decades.

The riots last Saturday erupted after Indonesian police took over the PDI headquarters in Jakarta from Mrs Megawati's supporters, who had refused to hand over the building to the government-backed rival faction.

The case was adjourned until August 22 after a judge told the packed courtroom that chief judge I Gde Ketut Suarta had toothache. He was to have headed the three-judge panel scheduled to hear the case.

The postponement raises the possibility that the government may be employing sophisticated delaying tactics to take the steam out of the democracy struggle.

A battle over the closure of Indonesia's best known news magazine ended on a subdued note earlier this year after a drawn out two-year legal action.

The military yesterday appeared to have firmly regained control of Jakarta with the deployment of armed troops.

The army has said it will open fire to quell any fresh disturbances.

Soldiers with specialist sniper rifles watched the court from surrounding tall buildings.

Several Indonesian economic ministers have moved to reassure foreign investors that the country's economic policy has not been affected by the turbulence.

Mr Giandjar Kartasasmita, minister for National Development Planning, told an economic conference it was not necessary to provide any special explanation of the riots to foreign investors.

The Jakarta stock exchange continued to recover slightly yesterday from its 5 per cent plunge earlier in the week.

But the research director of a foreign stockbroking house said: "It will take a significant amount of time for

buying interest to return."

An Indonesian businessman with military links said the dramatic escalation of the military response this week was consistent with an internal military view that it should allow greater room for public debate, but be ready to crack down hard and fast if it judged that dissidents were getting out of control.

In another significant development a series of Muslim based groups have strongly endorsed the government's action indicating that the military's strong anti-communist line has found a receptive audience in that important Indonesian community.

A group of Muslim leaders from the eastern city of Surabaya issued a statement condemning a small radical party the government has blamed for the riots and supporting the military assertion that it was a new communist party.

At the court hearing supporters of Mrs Megawati loudly jeered as the two junior judges announced the adjournment and failed to deal with some technical complaints by Mrs Megawati's lawyers against government defendants.

The court hearing attracted a crowd of more than 1,000 people but only a small group of fewer than 100 were involved in a demonstration which police quickly pushed into a side street.

## PLA vows to re-establish Chinese control over Taiwan



The People's Liberation Army marks its anniversary

## China generals pledge to back top leadership

By Tony Walker in Beijing

China's 3m-strong military celebrated "army day" yesterday with calls from its top generals to bolster the leadership of President Jiang Zemin and the Communist party.

General Chi Haotian, defence minister, used the 69th anniversary of the founding of the People's Liberation Army to emphasise the military's determination to secure Taiwan's return to mainland control.

He called for peaceful reunification but reiterated China's refusal to renounce the use of force. "The army will work hard to promote the peaceful reunification of our motherland but we will never commit ourselves to the no-use-of-force" he said.

Gen Chi, a close supporter of President Jiang, said the PLA must "unswervingly follow the command of the party central committee and the central military commission with Comrade Jiang Zemin at the core".

His remarks coincide with a difficult transition to a new generation of leaders to replace that of Mr Deng Xiaoping, whose health is failing and who will turn 82 this month.

Mr Jiang, who assumed

party leadership during the pro-democracy student riots in 1989, has worked hard to establish close links with the army but his lack of military credentials has hampered his efforts.

He serves concurrently as state president, general secretary of the party and chairman of the central military commission. The latter is China's top military body. Dressed in a traditional military-green Mao tunic, Mr Jiang was televised reviewing cadets on army day.

Gen Chi called for an improvement to China's defence industries and spoke of the need to acquire more sophisticated weapons to "cope with the possibility of high-tech wars".

China has no intention of engaging in a nuclear arms race but would use "appropriate and necessary" methods, other than explosions, to ensure the safety of its nuclear arsenal, a Chinese disarmament expert said yesterday, Reuters reports from Peking.

He declined to say whether these methods included computer-simulated nuclear explosions, but denied speculation of a possible deal between China and other nuclear states to obtain technology or data.

## Corsican courts

...the court... the case... the judge... the verdict...

## land over fish

...the court... the case... the judge... the verdict...

## troop talks

...the court... the case... the judge... the verdict...

## es telecom rules

...the court... the case... the judge... the verdict...

## Germany and Spain

...the court... the case... the judge... the verdict...

## debates telecom sale

...the court... the case... the judge... the verdict...

## Australian opposition on attack over spending

Government plays down claim on pension changes

By Nikki Tait in Sydney

A pre-budget row broke out in Australia yesterday after the federal opposition alleged the coalition government planned to abandon a pledge to provide superannuation co-contributions to workers, in an attempt to cut its spending by up to A\$4.5bn (\$3.5bn).

Other rumoured proposals included a change to the taxation of superannuation contributions. These, it was suggested, would become part of assessable income and be taxed at an employee's highest marginal rate instead of a concessional 15 per cent. The changes were said to have been agreed at a cabinet meeting in Sydney on Wednesday.

Mr Peter Costello, federal treasurer, played down the accuracy of the reports. "I sat in a cabinet meeting for seven or eight hours yesterday and if this is a description of that cabinet meeting, I think the... journalists must have had their own cabinet meeting."

The reports were "so beyond the ballpark they are hardly worth mentioning".

The Liberal-National coalition is due to hand down its first budget on August 20, and has promised to find A\$5bn spending cuts over the 1996-97 and 1997-98 financial years. For months, Australians have speculated where the cuts will come from.

The rumours brought a swift response from the financial services industry. The Association of Superannuation Funds of Australia (ASFA), the main industry body, warned the federal government to consult the industry before making changes to the tax arrangements for superannuation.

Ms Susan Ryan, executive director, said some of the suggested changes could "seriously reduce an individual's benefits and would undermine national savings".

A similar response came from a number of manufacturing industry associations, including the Australian Chamber of Manufacturers, the Federation of Automotive Products and the Metal Trades Industries Association. They said the reported plan to change the tax on superannuation should be subject to

review before any legislation.

The Australian Council of Trade Unions said it would fight any move to reduce superannuation entitlements. "It seems to me the (rumoured) government proposals, by a cursory examination, will leave lots of working people that I represent worse off," said Ms Jennie George, ACTU president. "If that is the case, it is an issue about which we could well have an industrial campaign."

The co-contribution, said to be under threat, stems from a decision by the former Labor government to replace a round of promised tax cuts by a 3 per cent superannuation co-payment. This was to be phased in across three years from 1997.

Coupled with a compulsory 3 per cent employee contribution and a 9 per cent employer contribution, it was designed to lift the income flow into superannuation from 9 per cent of wages to 15 per cent by the year 2002.

This, it was argued, would help address Australia's extremely low savings rate, seen as one of the country's biggest economic handicaps.

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## Skilled not cheap labour wins Japanese investment

By Guy de Jonquieres

Most Japanese companies which invest in other parts of Asia are not seeking cheap labour and are drawn to countries with skilled work forces, minimal business restrictions and large domestic markets.

These are among the conclusions of an unpublished World Bank study, based on a survey by Japan's Ministry of International Trade and Industry of foreign direct investment by Japanese companies.

The study says that although many of the more than 170 Japanese companies surveyed complained of high production costs at home, this seldom

drove decisions to invest abroad.

Much more important were Japanese companies' assessments of international business opportunities and their tendency to flock to overseas locations favoured by competitors in the same sectors.

Large companies, and those with a strong export orientation, were most likely to invest outside Japan. However, companies which depended heavily on research and development tended to be relatively slow to invest overseas.

Technologically sophisticated Japanese firms are under less competitive threat than other Japanese firms and

have less need to move production closer to customers or seek cheaper locations," the study says.

It finds that 60 per cent of small Japanese companies' total foreign investment is in Asia, three times the level for large ones. Small companies also set greater importance on low-cost production locations.

However, the quality of local labour was the decisive factor in choice of location.

"Japanese multinationals in Asia: capabilities and motivations. By Susmita Dasgupta, Ashoka Mody and Sarbajit Sinha. World Bank, 1818 H Street N.W., Washington D.C. 20433.


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**CONTRACTS & TENDERS**



**STEEL AUTHORITY OF INDIA LIMITED**

**NOTICE INVITING OFFERS**

**PARTICIPATION IN JOINT VENTURE FOR REVIVAL/MODERNISATION OF THE INDIAN IRON & STEEL COMPANY LIMITED**

The Steel Authority of India Limited (SAIL), a Government of India Undertaking under Ministry of Steel, wishes to revive/modernise the Indian Iron & Steel Company Limited (IISCO) through a Joint Venture arrangement with SAIL retaining majority shareholding of 51% in the joint venture company.

IISCO is at present a wholly owned subsidiary of SAIL. IISCO has been declared a sick company by the Board of Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) in August, 1994. The Company is engaged in the manufacture of iron and steel items. The principal unit of IISCO is an integrated steel plant at Burnpur in the State of West Bengal, about 200 Kms from Calcutta. The Company has a foundry and Spun Pipe Unit at Kulti and captive iron ore mines and collieries with a washery situated in the State of Bihar and West Bengal.

The objective is to revive/modernise IISCO with a view to bring it out of sickness within a reasonable period in terms of the provisions of SICA, and make it a commercially viable company.

SAIL is interested in enlisting technical, financial and managerial participation from interested parties who possess the capability to turnaround IISCO. The parties should have sound financial standing and be in a position to raise sufficient funds required for modernisation of IISCO in addition to their equity participation.

SAIL invites offers from Indian/foreign companies including group of companies/consortium having minimum annual turnover of over Rs. 500 crores (US Dollar 150 millions). For parties engaged in Steel Making, minimum turnover of Rs. 250 crores (US Dollar 75 million) would apply. In case the offer is on behalf of a group of companies or consortium, all members of the group or consortium making the offer would undertake to become partners in the proposed joint venture.

The offers from interested parties may be in the form of a Letter of Intent indicating their current activities, the extent of funds they are in a position to raise including foreign exchange funds for investment and their approach for modernisation of IISCO covering techno-economic feasibility for the proposed revival.

Interested parties can obtain "Information package" about IISCO between 12th August and 23rd August, 1996 from:

Joint Director (Business Planning),  
Steel Authority of India Limited,  
Ispat Bhavan, Lodi Road,  
New Delhi - 110 003 (INDIA).  
Phone : ++91-11-4690232, 4690481  
Fax : ++91-11-4692167, 4694672

The cost of information package will be Rs. 10,000 (US Dollar 300). Interested parties may submit their offer in triplicate alongwith complete details required as per the information package to the above address latest by 30th September, 1996 (upto 5.00 PM).

SAIL reserves the right to accept/reject any offer without assigning any reason whatsoever.

Regd. Office : Ispat Bhavan, Lodi Road, New Delhi - 110 003.

**India's largest steel maker**

# US fugitive Vesco on trial in Cuba

By Pascal Fletcher in Havana

Mr Robert Vesco, the fugitive US-born financier, sought by US authorities for more than two decades, went on trial yesterday in Cuba for "acts prejudicial to the economy, fraud and illegal economic activity".

Mr Vesco, 60, indicted in the US for cocaine-trafficking and a multi-million dollar embezzlement, has been living in Cuba since 1982. In custody since May last year, he is accused of falsely claiming to have had official Cuban government backing to produce in Cuba and sell an alleged wonder drug, known as "TX" or Trioxidal, which supposedly helps to cure cancer and other serious illnesses. According to the prosecution, he duped several foreign businessmen into backing the project with large sums of money, which he then mostly pocketed.

Mr Vesco's Cuban lawyer, Mr Menelao Mora, said his client pleaded not guilty. The prosecution is seeking a 20-year jail term for Mr Vesco and

10 years for his Cuban wife, Lydia Alfonso, who went on trial with him.

Haggard, with greying hair and beard and dressed in what looked like a grey prisoner's uniform, Mr Vesco began testifying through an interpreter in a sweltering courtroom at Havana's Popular Provincial Court.

Barely audible at times, he described how he and a friend and business partner, Mr Donald Nixon Jr., nephew of the late US President Richard Nixon, conceived the project to develop the TX drug in Cuba, which is the target of a long-standing US economic embargo. Mr Vesco named many senior officials in Cuba's health sector and pharmaceutical and biotechnology industries, whom he said he and his partner had contacted.

The financier's surprise arrest at his Havana home on May 31 1995 touched off a storm of speculation that Cuba might offer his extradition to Washington as a means of trying to improve tense US-Cuban

relations. Cuban President Fidel Castro quashed this speculation by saying it would be "immoral" for Cuba to extradite Mr Vesco.

US consular officials were present in the building. But so far Mr Vesco has shunned US consular assistance.

"There are pending charges against Vesco in the US... we are still interested in getting him back," a spokeswoman for the US Interests Section in Havana said.

Among the pending US charges against him is one that accuses him of swindling \$24m from Investors Overseas Services, a Swiss-based mutual fund that he took over in 1970 from Bernie Cornfeld, the late American financier.

According to the Cuban authorities, he was allowed to live in Cuba in 1982 for "humanitarian reasons". But Mr Vesco, who had also spent time in Costa Rica and the Bahamas, was widely believed to be using his business contacts to help Cuba evade the US economic embargo.

# Patti Waldmeir goes where Congress's reforms are already well established Welfare sees shape of its future

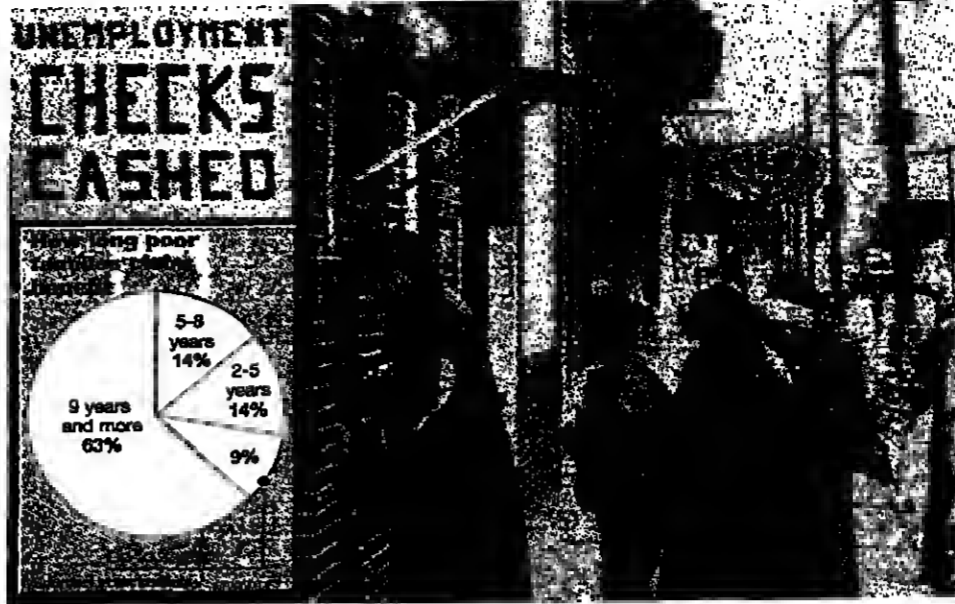
In the waiting room of the Fairfax County Department of Family Services, welfare recipients sit in the peculiar heavy stillness born of poverty and wait to speak to their "self-sufficiency worker" - the person who used to be known as a social worker.

Fairfax County, in northern Virginia, did not wait for President Bill Clinton and Congress to change America's welfare laws. Virginia and 40 other states had already started their own "workfare" experiments, in some cases years before the announcement this week that the president would sign a sweeping welfare reform bill.

From April 1 this year, Fairfax County has required welfare recipients (with few exceptions) to get jobs. They have 90 days to find employment or they are placed in unpaid "community work experience", during which they keep some benefits. After 24 months, however, recipients are expected to be almost entirely "self-sufficient". At that point, their family benefit, or "Aid to Families with Dependent Children (AFDC)" - the safety net for the poorest American families - stops altogether. Under some circumstances, free health care and food may continue for a year longer.

In addition, minors on welfare are required to live with a parent or guardian, single mothers must help the state to find and compel the father to pay child support, and mothers are encouraged to practise birth control because they receive no further benefit for new children.

The theory is that recipients - most of them single mothers - will become permanent productive members of the work-



force within two years. And in the meantime, they will have an incentive to get married, keep family size down, and keep tabs on their men.

Emma thinks all of this is "great". She is a 41-year-old mother of four who has subsisted on AFDC for the past five years since she split up with a husband who was "doing crack". She wants to get work, and has already found a low-paid waitress job. She says she will do two jobs, if she can find them.

"I'm not going to sit here on assistance the rest of my life," she says as she sits at a computer screen in one of the training rooms at the Department of Family Services, teaching herself to type with the help of a cheerful computer programme entitled "Mavis Beacon Teaches Typing". The

computer warbles at her when she makes a mistake, and applauds and encourages her efforts. Emma says she would like to work with computers.

"People sit back and collect welfare and never work a day in their life. I'm happy they can't do that any more."

Emma has earned the right to say what no liberal critic of welfare would ever venture: "They have babies and they can't take care of them. What are they doing having babies left and right? Make the men take care of the children."

No politician could better express the conservative rationale for welfare reform, which is meant to be a great social engineering project - an answer to the problems of illegitimacy, teen pregnancy and the much-decried decline in the American work ethic - as

much as a way to save money on welfare.

Savings are, in any case, not an immediate prospect. For "workfare" programmes are costly, even where they do not involve large public works programmes to create jobs. Front-end costs are considerable: Fairfax County provides child care and in some cases transportation so that "welfare mothers" (most are women) can work. For the first 24 months, it continues to pay benefit to working recipients, depending on income, along with providing medical care and "food stamps" (Emma gets a monthly \$410 AFDC cheque and \$87 in food stamps). And the county is paying a private consulting firm, Maximus, to provide "job readiness training" and help recipients search for work.

Fairfax's welfare mothers get a three-week course to develop their "employability skills", says Mr Akbar Piloti, project manager of Maximus's "Fairfax Works" programme. There they are taught the culture of the workplace - appearance, office etiquette, language skills - along with interview techniques, telephone skills and additional training.

"We're trying to make up for years of low self-esteem. We're trying to teach them how to fish," says Mr Tom Roberson, "Fairfax Works" regional supervisor.

"This has nothing to do with protecting the capitalist economic system," says Mr Roberson, who is passionate about breaking the well-documented cycle of dependency bred by welfare. "It's about what it does for a person, and for their children. It's about making parents role models."

That is what Emma wants to be, to her children. She got her high school diploma last year and hopes that will encourage her children to do the same. She does not want them ending up on welfare.

And the state of Virginia will be delighted if it can get Emma off its welfare rolls. In Wisconsin, pioneer of state-led reform, AFDC rolls have fallen by 44 per cent since the changes started in 1987. Fairfax reports a small decline in welfare applicants since the April 1 introduction of workfare, but it is too soon to gauge long-term effects.

Back in the Department of Family Services waiting room, the lethargy is daunting. Fairfax's "self-sufficiency workers" have their work cut out for them.

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# Venezuela to use oil revenue for debt fund

By Ray Colitt in Caracas

The Venezuelan government has created a special fund financed with windfall oil revenues to restructure and reduce its \$32.6bn public debt.

The move comes after congressional delays in approving a "debt rescue" fund and is seen as a sign of the government's commitment to tackle its public debt problem.

"We're sending a positive message to the markets by earmarking these unbudgeted oil revenues to service and reduce the debt," said Mr Roy Ellis, assistant director of public finance.

The government will require congressional approval to use the fund but says such approval is "routine" and will

require little time. Congress will not consider the original "debt rescue" bill, which would allow the fund to use proceeds from privatisation, for several weeks.

The creation of the debt fund comes as the government mulls over several schemes to improve the profile of its \$27bn foreign debt, of which Merrill Lynch estimates \$1.1bn in Brady bonds amortises in 1996.

One option, says a consultant to the government, is the conversion of Brady bonds into longer-term debt, "similar to the recent Mexican Brady bond conversion".

The government is also pressed to restructure its \$5.58bn internal debt, 70 per cent of which will mature in 1997 because of very short

maturities and relatively high interest rates.

Negotiations with commercial banks will start soon and, according to Mr Nestor Suarez, director of public finance, consideration will be given to issuing long-term dollar-denominated bonds to replace short-term dollar-denominated debt to reduce the interest burden.

Part of the government's efforts to improve its international credit rating to investment grade by 1996, says Mr Suarez, is to make all its overdue payments by year-end.

Last month, Venezuela paid off most of its arrears on commercial contracts and reached an understanding with Paris Club creditors to postpone payments on \$200m of other arrears.

# Concern over credit health of Mexican banks

By Stephen Fidler, Latin America Editor

The US credit rating agency Moody's yesterday expressed serious concerns about the deep-seated structural problems of Mexican banks, and said a recovery of the banking sector would lag behind what

would be a sluggish overall improvement in the economy.

In its annual report on Mexican banks, Moody's says: "Restoration of credit health of Mexican banking is likely to be an extended and painful process."

The structural problems still being faced include the banks'

doubtful loan portfolios, their heavy requirements to make provisions for such loans, constrained revenues and low - though improving - capital. A recovery of the economy would help the banking system but would be a long process and even longer for the banking sector.

Moody's said the proportion of overdue loans continued to rise into the early part of this year, and Mexican banks also retained 20-25 per cent of the loss potential on loans they have sold to the Mexican deposit insurance fund, Fobaproa. The coverage of overdue loans by reserves has increased

but "is still far below international standards when the true level of past due loans is taken into consideration." Mexican banks must switch to US accounting standards next year. Government programmes have been effective in bolstering the capital of the banks, Moody's said.

## ATLANTA OLYMPICS

# Lewis's bid for 10th title runs into trouble

Amid a debate that has divided the country and even reached the White House, Carl Lewis was denied the chance to win a record-breaking tenth Olympic gold medal when his name did not appear in the US 4x100m sprint relay squad announced yesterday.

Lewis, who had already won the long jump to add to his eight golds from previous Olympic games, was not a member of the original relay squad, after finishing last in the US 100m Olympic trials and refusing to join the US squad at its training camp.

But since he won the long jump, there had been a public clamour

for his inclusion in the relay team. No Olympian has won more than nine gold medals in modern times and the strength of the US relay team would have given Lewis the ideal opportunity to break that record. The campaign for Lewis's inclusion had even extended to Washington, where US Congressman Ron Wilson wrote to President Clinton, urging him to lobby for the athlete's inclusion.

Lewis himself had not made a direct appeal to US track and field officials, but appeared on several TV talk shows saying he would be more than happy to run if asked.

His charm offensive cut little ice with the US relay coach Erv Hunt, however. "Carl has been good about the fact that he would be available for us if needed and we appreciate that," he said.

"He chose not to be a part of [the

relay] team by choosing not to practice during our training camp."

But other athletes in the team have been more blunt. John Drummond said the inclusion of Lewis would have been unfair on those who beat him in the trials.

"He won the long jump. That is not the 100 metres. He got beat last in the trials," he said.

Campaigners in the pro-Lewis camp pointed out he was a specialist in running the anchor leg of the relay, having run the fastest ever time. He brought the US team home in a world record time of 37.40 seconds in the 1992 Games in Barcelona, when he was also originally omitted from the squad but was asked to fill in at the last minute.

Even Michael Johnson, Lewis's heir-apparent as king of American track and field but who has a frosty relationship with the sprinter, had

pressed for him to be given his chance.

"I've always believed that you put the best four people out there. If I was the coach, I'd put Carl Lewis on that relay team." But Lewis's critics said the athlete had never been a team player. He has declined to live in the athletes' village during Olympic games and has an aloof attitude toward his teammates. He has always claimed this was necessary in order to concentrate on his own efforts.

But in Atlanta he found himself in the paradoxical position of relying on his team-mates' goodwill to allow him a glimpse of ultimate glory.

The US relay team, who start their campaign in today's heats, turned their backs on him.



Carl Lewis winning the long jump to clinch his ninth gold medal

## ATLANTA DIGEST

### Iraqi weightlifter defects to US

The Iraqi weightlifter who carried his national flag in the opening ceremony of the Olympics has defected and asked for political asylum in the US, Iraqi opposition officials said.

Raed Ahmed dashed out of the athletes' village when Iraqi team officials were not looking and was driven off by an accomplice from the Iraqi National Congress.

### Irish athlete escapes drug ban

Irish athlete Marie MacMahon, who took decongestant tablets containing a banned substance two days before running in the Olympics, escaped a ban yesterday despite failing a drugs test.

Senior IOC officials unanimously supported a recommendation to issue only a reprimand to the athlete and the Irish team. Meanwhile, Russian Marina Traudenkova, fifth in the women's 100m, was disqualified after testing positive for the stimulant Bromantan, the fourth Russian to test positive for the drug.

### Two Taiwanese held for flag-waving

Two Taiwanese spectators were handcuffed and hauled from the table tennis arena by police for waving a miniature Taiwanese national flag, the IOC said yesterday.

Georgia state troopers carried the two men from the arena and charged them with obstructing police. Taiwan competes under the name Chinese Taipei. Its flag is banned from official events.

# Surfers net gold in the race for information

Net surfers came to the aid of sea sailors at the Atlanta Olympics, after info 96, the official results service, was so slow at the start of the games that the sailors in Savannah nicknamed it "Info 97".

The problem got serious as sailing broadcasters found the system was causing three-hour delays in passing on race times. To solve the problem, the sailors swiftly turned to the Internet. Race results and even mark roundings and split times became available on the World Wide Web as they happened.

At the start of the sailing there were 200,000 visits - or "hits" - to the system from fans around the world. The numbers climbed so steeply that close to a million "hits" each racing day were recorded - a fitting result at what are billed as the first "wired" Olympics.

"Yachtsmen are involved in a sport that demands intuition and initiative, and using those qualities they've managed to bypass a system that was falling and look after their own," said Savannah press centre manager Marcus Hutchings.

The web material is being used by the television broadcasters on the sailing courses, who were previously hamstrung by long delays in info 96 relaying mark times for a race that was happening in front of the viewers' eyes. "We thought we were going to have put guys out there in rowing boats with stop-watches," said a technician at Television New Zealand, which is host broadcaster at the Olympic regatta.

"It was just bloody appalling and

On the fast track on the information super-highway - track star Michael Johnson's Internet home page (www.michaeljohnson.com)

Because the International Yacht Racing Union, under its Canadian president, Paul Henderson, had taken the decision six months ago to build its own web site, the situation was curable. IBM looked the other way while sailors virtually hacked into their database, loaded it on to their own web site and then fed it into millions of cyber-sailors and grateful TV producers.

IBM's own official web site has been visited by 100m users since the start of the games. IBM's site recorded over 14m visits in a single day this week, as users took advantage of coverage of all the events for free. But, like the difficulties of the results system, the official Internet service has had problems.

Some users complain the results, when available, are hard to understand, difficult to find, and often updated late. Often teams are listed as from an "unknown" country, some schedules and biographies are unavailable, and even details of gold medal winners, such as Irish triple gold medalist swimmer Michelle Smith, cannot be found.

Fred McNeese, IBM spokesman in Atlanta, admits the system has had problems, with statistical data coming from the same troubled source as provided to international news agencies. But he says: "Overall, we are extremely pleased with the way this service has been received." And novel uses have been found for the new medium: live Internet radio broadcasts and links to cameras recording photo finishes.

IBM expected an enormous level of demand, with the mainframes

designed to cope with at least 10m visits a day, but despite powerful mainframe computers in Europe, Japan and the US, users are frequently placed in a queue.

Mr McNeese says late and inaccurate results can often be blamed on officials at the venues pressing the wrong buttons, or on communication problems.

But the IBM site has also been slow at providing base news. For example, news of the disqualification of three athletes for drug use on Sunday was reported almost immediately at CNN's Internet site, but didn't appear on IBM's Olympic service until Monday morning.

There are hundreds of other sources of Olympic news on the net, including US magazine Sports Illustrated and telecoms giant AT&T. One of the most interesting is Michael Johnson's Going for Gold site (www.michaeljohnson.com), where the US gold medalist in the 400m tells readers about his dreams, his past and his heroes. He even takes questions by e-mail, although he can't answer them all because "I've got a lot on my mind right now and a lot to do."

IBM is upbeat about its use of the Internet and claims \$5.3m of credit card sales for tickets to Atlanta events through the Internet. It may be able to exploit the Internet to the full in 1998, when it runs the official Winter Olympics web site from Nagano, Japan.

Keith Wheatley and James Mackintosh

سكرا من الاجل

# Deep split deadlocks nuclear test talks

By Frances Williams in Geneva

Talks on a landmark pact that would outlaw all nuclear testing were deadlocked yesterday with no agreement in sight on a final treaty due for signing at the United Nations next month.

The 61 members of the UN disarmament conference negotiating a comprehensive test ban pact are deeply split on whether to accept the compromise draft text presented on June 28 by Mr Jaap Ramaker, the Dutch chairman of the 30-month-old talks.

India said they would insist on changes to the draft to make on-site inspections more difficult, while Iran and some other non-aligned countries said they wanted a stronger commitment to disarmament by the nuclear powers.

The US said yesterday that no better compromise was possible and that further negotiations on the delicately balanced text could torpedo the pact.

China's disarmament envoy, said the present draft would have "inspector coming and going like international tourists", a charge ridiculed by western diplomats who point to strict provisions to guard against abuse.

Mr Sha Zukang, China's disarmament envoy, said the present draft would have "inspector coming and going like international tourists", a charge ridiculed by western diplomats who point to strict provisions to guard against abuse.

# Lebanese PM insists on UN terms for Israel pullout

By Neil Buckley in Brussels and David Gardner in London

Mr Rafiq al-Hariri, the Lebanese prime minister, yesterday rejected suggestions that Israel might withdraw its troops from southern Lebanon under certain conditions and said the 18-year-old United Nations resolution calling for unconditional withdrawal remained the only acceptable basis for an Israeli pullout.

the Shia militia fighting Israeli occupation. But he said attacks on Israeli forces came from a "resistance force" which developed in response to the occupation. If occupation ended, so would the resistance.

# Bank doubles funds for IDA

By Robert Chote, Economics Editor, in London

The executive board of the World Bank yesterday allocated \$600m of the net income it earned in the last financial year to its troubled soft-loan arm for poor countries.

trust fund through which the bank will finance its contribution to the initiative on poor country debt which it is struggling to assemble with the International Monetary Fund.

The amount earmarked for the International Development Association (IDA) was more than double the \$250m allocated last year. The World Bank is having to provide more money in part because the US Congress is refusing to give the Clinton administration the funds it has requested to pay off US arrears to IDA.

The board also agreed to allocate \$250m to waive part of the interest payments due from borrowers with good payment records. The quarter-point waiver is unchanged from the previous year, as is a half-point waiver offered on the commitment fees payable on undischarged loan balances.



Relatives in Nablus mourn the death in custody of Mahmoud Jumayal

# Palestinians protest at death of Arab prisoner held by PLO

The Palestinian West Bank city of Nablus erupted in demonstrations yesterday in protest against the alleged death by torture of an Arab prisoner held by Palestine Liberation Organisation security forces, witnesses said.

denouncing the PLO security force believed to be responsible for his death and paying tribute to Mr Jumayal.

# Algeria, France try to ease tension

By Houle Khatif in London

Algeria and France will hold a serious dialogue on a wide range of issues, Mr Hervé de Charette, French foreign minister, said yesterday at the end of a two-day visit to Algiers.

Reports yesterday in the leading Israeli daily Haaretz, ruled out by the new headline government of Mr Benjamin Netanyahu.

COMMERCIAL PROPERTY advertisement with Arabic text and a small image of a building.

HSBC Investment Bank plc is instructed to sell Jamaica's premier business hotel operating as WYNDHAM KINGSTON. Successful hotel located on 7.75 acres (3.14 hectares) in central Kingston.

The largest prime development site left in Manhattan is for sale. The New York Coliseum property is on the market. With a site area of 150,000 square feet and a development potential of 2.1 million square feet, it's the most prominent address left in the city for large-scale construction.

FOR SALE advertisement for a 4 Super-de-luxe Apartments in central Kingston, Jamaica. Asking price: US\$ 600,000.

UK Business Property Friday, September 13. Always topical, sometimes controversial the editorial will provide an overview of the UK Commercial Property Market.

THE BANKER 1000 advertisement with a large graphic of the number 1000.

GIVE US A STAPLE. And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer.

SECURITIES DATA SPECIALIST/ANALYST advertisement for The Global Private Trading group.

Vertical text on the left margin: 'ready well established', 'its future', 'Mexican banks', 'defects to US', 'waving', 'technology sponsor'.

## Europe seeks role in chip pact

By Nancy Dunne in Washington

As Japanese and US negotiators were yesterday striving to establish a new mechanism for trade in semiconductors, Mr Peter Carl, the EU observer at the talks anxiously awaited a decision on whether European companies would be allowed to participate.

EU semiconductor manufacturers maintain that they have lost out as a result of the US-Japan semiconductor accord which expired on Wednesday. When the accord was first negotiated, the US suggested that the pact would be advantageous to all manufacturers in gaining access to the Japanese market, yet the EU market share of about 15 per cent has barely grown over the duration of the pact. European companies have often complained that US companies were given preferential treatment.

Japan has been pushing for the formation of a world semiconductor council to include the EU and, perhaps South Korea and other large manufacturers of computer chips.

The US has consistently resisted a such a multilateral deal and said that the EU could join only if it agreed to lift its tariff on semiconductors.

EU officials say this is "an impossible price" because the tariff is the subject of negotiations between the industrialised countries and some Asian countries to eliminate tariffs on high technology products.

Sir Leon Brittan, EU commissioner for trade, said the EU will hock further negotiations on an international technology pact if it is left out of a semiconductor agreement.

Following the missed deadline, negotiators thrashed out a framework for a deal but spent considerable time trying to reach agreement on the details. The two sides were hickering over whether or not market share data collected by the industries in both countries could be interpreted by the governments as an indication of market openness.

## EasyJet attacks KLM on pricing

By Gordon Crumb in Amsterdam

EasyJet, the upstart of the UK airline industry, yesterday landed a legal challenge at the door of KLM, accusing the Dutch company of predatory pricing and abuse of a dominant position on the Amsterdam-London route.

Mr Stelios Haji-Ioannou, the Greek shipping heir whose Luton-based EasyJet has been aloft only eight months, flew into Amsterdam's Schiphol airport to allege that the privatised flag carrier had a "declared plan to drive EasyJet out of the Dutch market."

KLM last night acknowledged the existence of an internal memorandum which spoke of the need "to stop the growth and development of EasyJet and to make sure that this newcomer will not be able to secure a solid position in the

Dutch market." But it insisted that the communication - understood to have been made available via the company's computer system to many if not all employees - did not carry the status of an official KLM document.

The airline refused to identify the author, whose rank is said to be senior.

The memo warned: "Examples from the past have proven that newcomers with very low prices and an unadorned product should not be underestimated," citing British Midland as one carrier which had made a successful incursion into the Dutch market. "For this we have to make sacrifices. For KLM lower income and for the travel agent lower commission (because of the lower tariff) for reserving the tickets."

The no-frills, ticketless EasyJet embarked on the Amsterdam route in late April,

offering a one-way fare to Luton of £199 (\$300). In June KLM, whose cheapest regular fare had been £1406 return, weighed in with a £195 one-way offer. KLM - which then had up to 40 per cent of the London market - accompanied this with a promotional campaign in the Dutch press billing the fare as an "Easy Choice".

"Even I can understand that and I don't speak Dutch," said Mr Haji-Ioannou. KLM had launched "a disproportionate reaction, specifically targeted at one carrier". A lawyers' letter due to be delivered to KLM yesterday demanded that it "cease its unlawful actions" within seven days or EasyJet would take action seeking damages in the English or Dutch courts, or both.

A KLM official said: "We do not regard this notification as a reason for meeting any of these demands. We are a commercial organisation and operate in a free aviation market."

Other carriers on the London route - which include British Airways and British Midland as well as KLM's Transavia subsidiary and Air UK affiliate - subsequently matched the prices. But the EasyJet owner, the 29-year-old son of a Greek Cypriot shipping family, said airlines such as BA were merely responding to KLM's price cuts and he had no complaint against them.

Mr Haji-Ioannou said he could also take the issue to the European Commission, which has the power to fine KLM as much as 10 per cent of its annual turnover. On KLM's revenues last year, that would be £1954m.

The largest fine imposed by the Commission under the relevant Article 86 of the European Union's founding Treaty of

Rome was Ecu75m (\$95m) levied on Tetra-Pak of Sweden. That case, involving abuse of market dominance in packaging machines and cartons, took the best part of a decade.

Mr Haji-Ioannou admitted he was losing money on the Amsterdam route, which its Boeing 737s fly three times a day in each direction. Revenue targets out of London, where the price war has not been as acute, were satisfactory but EasyJet's ability to sell in the Dutch market had been impaired. He had also needed to spend more on advertising to counter KLM's campaign.

He indicated that EasyJet could maintain the route for at least six months but added: "If we cannot succeed in the Dutch market we will have to take our planes and go elsewhere." The airline currently flies to Edinburgh, Glasgow, Aberdeen, Barcelona and Nice.

## WORLD TRADE NEWS DIGEST

### EU joins action on Brazil tariffs

Pressure on Brazil to relax its restrictions on vehicle imports has mounted with a decision by the EU to join Japan in laying a complaint before the World Trade Organisation (WTO).

An EU representative in Brasilia said it would use WTO procedures to join a complaint lodged by Japan on Tuesday, rather than launch a separate action, after informal negotiations in Geneva failed to resolve differences between the trading partners arising from duties introduced by Brasilia last year.

"The decision has been taken," he said, adding that because of WTO procedures the EU would not formally join Japan's complaint until early next week. Brazil increased motor vehicle import tariffs from 32 per cent to 70 per cent in March 1995. Since December, manufacturers operating in the country have been allowed to import vehicles at tariffs of 35 per cent. Japan and the EU say this discriminates against other manufacturers. The US and South Korea have also objected to the tariffs; diplomatic sources said the two countries were expected to lodge similar complaints to the WTO this month.

Brazil's trading partners have rejected an offer that would allow vehicle manufacturers not based in the country to import 40,000 vehicles in the next year at the 35 per cent tariff. He said Brazil's vehicle imports from all countries were "at a virtual standstill" this year, after imports of about 300,000 vehicles in the first half of 1995. *Jonathan Wheatley, São Paulo*

### Suez bridge contract signed

The Egyptian National Railroad Company has signed a contract with an international consortium to build a bridge over the Suez Canal, connecting the Nile Delta with the Sinai. The consortium, led by the German Krupp Stahlbau Hannover, includes Besix of Belgium and Orascom of Egypt. The bridge is to be used by both road and rail traffic, making the 600 metre structure the world's longest dual usage bridge. Located 120km north-east of Cairo, the bridge will link the Egyptian railway network to the Sinai. It will also provide a road link between the border town of Rafah, adjacent to Palestinian-controlled Gaza, and the west bank of the Suez Canal.

The original Firdan bridge was destroyed in the 1967 Arab-Israeli War. The new bridge, to be built on the same site, will be designed as a drawbridge in order not to restrict traffic on the canal. The Egyptian government is financing the project at a cost of E\$228m (\$265m). It is expected to be completed in 1998. *Sean Evers, Cairo*

### Siemens wins Indonesia deal

Siemens of Germany has won a contract worth more than DM500m (\$340m) to add over 400,000 telephone lines to the telecoms network in eastern Indonesia over the next three years.

Siemens said it would set up a complete network for private regional telecoms operator PT Bukaka SingTel International (BSI), using optical fibre lines. Indonesia has 190m people but just 2.4m telephone lines, a ratio of one line per 100 people, compared to 50 per 100 in Germany.

A consortium led by Adtranz, the transport joint venture between ABB and Daimler-Benz, has won the Ecu320m (\$406m) contract for the second stage of the Shanghai metro. The company, which completed the metro's 16km first stage in 1995, will construct a 14km line and supply 36 six-wagon trains. The new line will carry 40,000 passengers an hour in each direction. *Stefan Wagstyl, Industrial Editor*

## US close to lifting ban on tuna imports

Bill follows pact to protect dolphins from fishing nets

By Nancy Dunne in Washington

The US House of Representatives has passed a bill lifting a six-year embargo on tuna fish imports imposed to protect dolphins in the eastern Pacific.

If the bill passes the Senate, as expected, it will remove Mexico's threat to bring a potentially embarrassing complaint against the US tuna embargo to the World Trade Organisation.

The bill follows agreement by governments in the region - an area of more than 5m square miles stretching from southern California to Chile - to institute reforms to keep dolphin from being killed in the circular mile-long nets used to catch tuna.

The agreement, reached last year in Panama, was signed by 12 nations: Belize, Colombia, Costa Rica, Ecuador, France, Honduras, Mexico, Panama,



An estimated 130,000 dolphins a year were being killed by nets like these before the US ban

Spain, Vanuatu, Venezuela and the US.

The US lost an earlier case against the ban, brought by Mexico in the General Agreement on Tariffs and Trade. The decision enraged many environmentalists. "Tuna/Dolphin" became the rallying cry used by many environmental groups which opposed creation of the WTO.

An estimated 130,000 dolphins a year were being killed until the US ordered American fishermen to stop using the

huge circular nets and ultimately banned tuna imports from countries where the practice persisted. Reforms were instituted to allow the dolphin to escape the nets, and the number of deaths has dropped below 5,000, according to the US Commerce Department.

Currently, canneries cannot use the term "dolphin safe" on tuna caught in the circular nets. This would be changed under the new legislation. The "dolphin safe" label could be used as long as independent

observers on the fishing boats certify that no dolphins were killed in the catch.

The pact negotiated in Panama establishes a permanent mortality limit to reduce dolphin deaths to no more than 5,000 a year; gives each vessel a limit on deaths; works to reduce deaths of sea turtles, small fish and other species; and strengthens the enforcement and monitoring system.

Although environmental groups - including Greenpeace and the National Wildlife Fed-

eration - helped negotiate the pact, some environmental groups oppose the legislation, calling it "the dolphin death act". They favour two other tuna fishing techniques.

Groups in favour of the act say dolphin will continue to be protected as much as possible.

Vice president Al Gore has pushed the act through Congress. He has warned that proposed amendments could mean an end to the Panama accord and a return to the dangerous practices of years ago.

## Tourism far from buoyant in scuba-diving islands paradise

Despite excellent scuba-diving and a claimed eighth wonder of the world, the Philippines is missing out on its tourist potential because of poor transport facilities and misguided promotions, writes Edward Luce

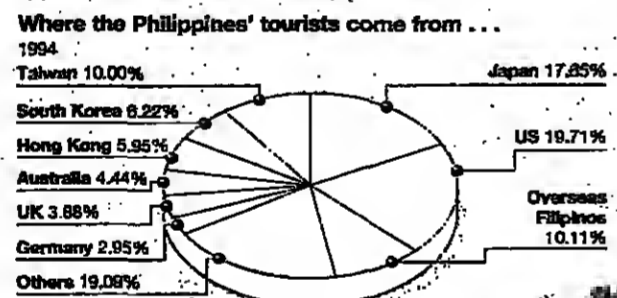
At the Christmas village near Manila - site of "the longest Christmas ever" according to the promoters - it is easy to see why the Philippines has failed to cash in on its promising tourist potential. Designed to attract more foreign visitors to the country, the nativity complex stands as a garish monument to aesthetic miscalculation.

Built partly with funds from the department of tourism, the village has not proved a hit with overseas tourists although the theme park has struck more of a chord among Filipinos. For some, though, the 365-days-a-year Christmas village, which it was hoped would highlight the country's Catholic heritage in non-Christian Asia, symbolises the Philippines' failure to attract tourists in large numbers.

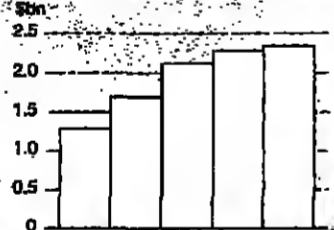
With only 1.8m visitors a year, compared to 6.3m for Thailand and 7.1m for comparatively tiny Singapore, the Philippines has a long way to go to catch up with other destinations in south-east Asia. With \$2.3bn in tourist receipts last year, the country netted less than 1 per cent of global tourist revenues. Boasting 7,100 mostly pristine islands and some of the best scuba diving grounds in the world, the Philippine government thinks it could clearly do much better.

"The problem is that the government does not seem to be promoting the Philippines in the most effective way," said Mr Patrick Blum, head of Blue Horizons tour operator. "The government has been stressing themes like shopping and eating which, to be frank, are not among the country's strong selling points. What they should be doing is promoting things like eco-tourism and the friendliness of the people."

Ms Mina Gabor, appointed secretary of state for tourism earlier this year after Mr Eduardo Filapit stepped down over allegations of corruption, says that the government's "tourist masterplan" - which targets specific regions for fast-track development and aims to boost arrivals to 3m by 1998 - has begun to turn the tide. Arrivals have grown by 20 per cent since 1994 although most



... and how much they spend



suspect that the bulk is accounted for by higher business arrivals.

More to the point, visitors tend to stay longer and consequently spend more in the Philippines than in most neighbouring countries. At 11.5 days a head the Philippines compares well to Singapore's 3.4 days. The government's aim, says Ms Gabor, is to persuade more visitors to stay longer.

"We don't want to become a mass tourist destination like Thailand," says Ms Gabor. "Backpackers don't tend to spend very much and it is

doubtful that we have the infrastructural capacity to accommodate many more of them. What we want is to attract more high-spending visitors both for tourism and other sectors like conferencing and business seminars.

As the largest industry in the world and potentially one of the biggest in the Philippines - in 1995 tourism accounted for 3 per cent of Philippine gross domestic product - the government says it attaches high priority to development of the local tourist industry. With a budget this

year of just over 1bn pesos (\$40m), however, critics say that the department of tourism is being asked to accomplish the impossible on a shoestring.

For many, the tourist masterplan is at best only a partial success. "In countries like Malaysia and Indonesia the government matches private sector funds for overseas promotion campaigns with equivalent funds of its own. Here we are lucky to get 10 per cent," said Ms Mina Tanchi, a tour operator and former president of the Asian (Association of South East Asian Nations) tourist association.

"In other countries, too, governments try to integrate tourist development with other forms of development - in the Philippines there are three government departments in charge of roads. What sort of road policy is that? The upshot is a country littered with half-completed road projects.

To reach Banaua, for example, the ancient rice terraces 230km north of Manila known locally as the "eighth wonder of the world" and potentially the most lucrative tourist magnet in the Philippines, takes up to 12 hours by road from the capital and often more during monsoon season. The road journey from Baguio, the nearest airport to Banaua, takes almost as long.

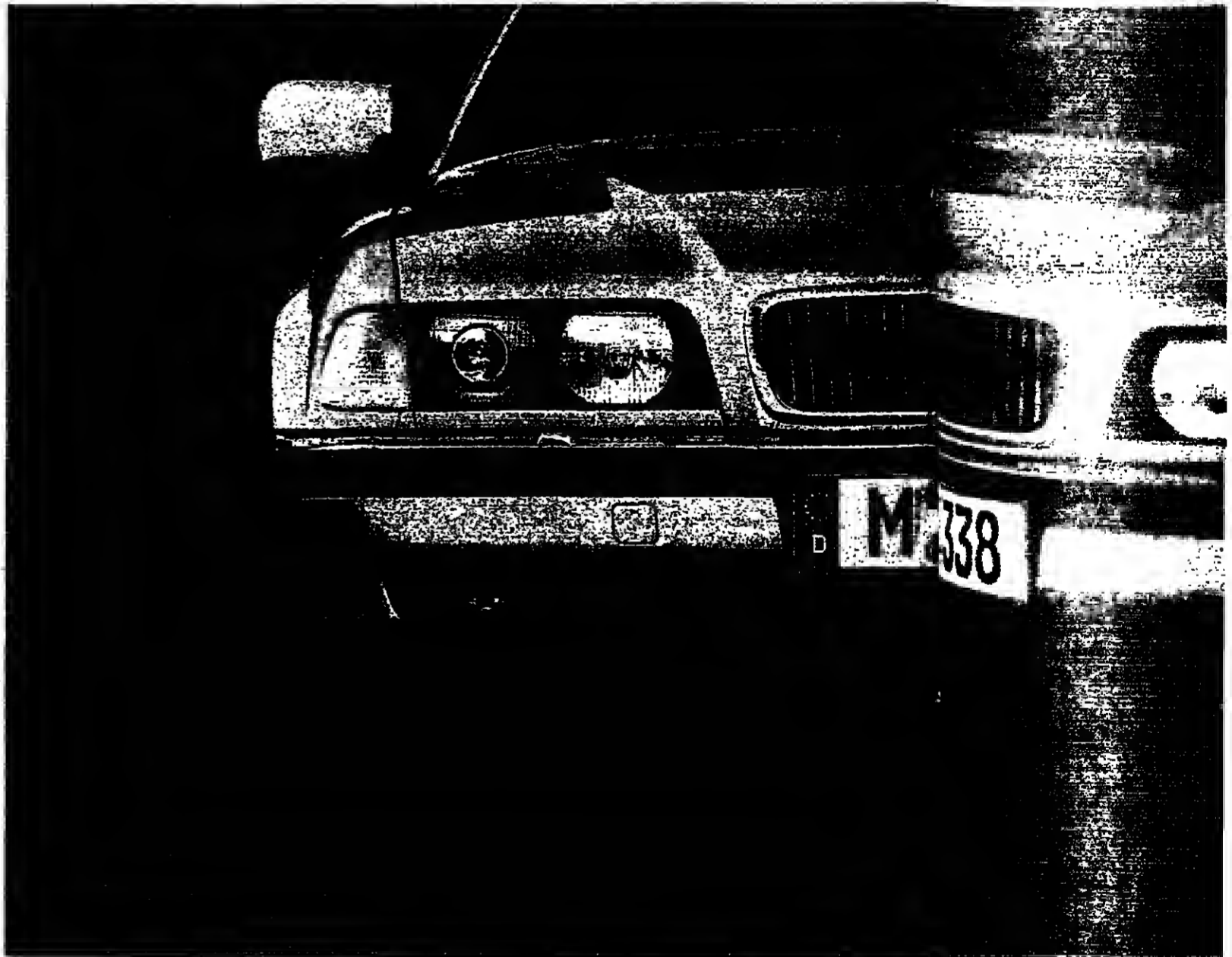
By contrast, the deregulation of the domestic airline industry last year is expected to improve the convenience of air travel in the Philippines. Philippine Airlines, which schedules most of its provincial flights from Manila between 2am and 8am, is not considered "customer friendly".

Some of its new rivals, including Cebu Air and Grand Air, have less arduous timetables. Only Cebu, however, a popular resort destination for Japanese tourists, can so far boast a regular international connection.

"One of the big problems is Manila which is considered by visitors to be polluted and traffic-clogged," said Mr Blum. "If there were more direct international flights to provinces in the Philippines it would make a very big difference."

WOULD YOU RATHER DRIVE THE LUXURY CAR ON THE LEFT,

OR THE PERFECT ON THE



On the one hand, the 7 Series is a performance machine perfected on a racetrack at the Nürburgring, on a circuit so demanding it is no longer used by Formula One racing cars.

On the other, it is a hushed environment that silently whisks you to your destination (as it coasts you with everything from a heated steering wheel to a 330W CD system offering you the acoustic profile of a cathedral or a jazz club).

In short, it is different from every luxury car you may have sat in because it regards the driver as a functioning component of the car. A level of technology unprecedented on four wheels makes all this possible.

This technology extends from a computer that will navigate you around an unknown town, to an automatic gearbox that actually adapts to the way you drive.

صوتك من الامم

صحة من الامن

# Fined airline appoints maintenance chief

By Michael Skapinker, Aerospace Correspondent

British Midland, which was fined £150,000 last week after one of its aircraft took off without engine covers and was forced to make an emergency landing, will today announce that Mr Frank Turner, former managing director of Lucas Aerospace, is to take responsibility for maintenance and engineering.

But Sir Michael Bishop, the airline's chairman, said the appointment of Mr Turner did not result directly from the report or the fine at Luton Crown Court but followed a review of operations after the incident.

He said British Midland was following the trend in the airline industry of placing responsibility for engineering and maintenance in a separate organisation. Mr Turner will be responsible for all the airframe controlled by Airlines of Britain Holdings, the company that controls British Midland. These include Manx Airlines, Loganair and Business Air.

Mr Turner, 63, was managing director of Lucas Aerospace from 1992 until last year, when he left after a management reshuffle. He previously worked for Rolls-Royce, where he was director of the civil aero engine business.

The air accident report said British Midland engineers had failed to replace the engine covers after a routine inspection before the flight. The report praised the British Midland flight crew and air traffic controllers for their prompt action in making an emergency landing at Luton Airport after the captain noticed that the oil

had drained from both engines of the Boeing 737.

It called for changes in British Midland's approach to maintenance and recommended changes in the way the Civil Aviation Authority monitored airlines.

It said the CAA, which is increasingly delegating responsibility for safety to airlines, had failed to identify the lapses at British Midland. The CAA said last month that it was increasingly monitoring airlines' safety procedures rather than the details of how they implement them. The air accident report said the air-

line had to ensure in future that it had sufficient staff to carry out aircraft maintenance properly. It stated that understaffing of the night maintenance shift had been commonplace at the airline.

On the night that the engine inspection was carried out, there were two licensed inspectors on duty instead of the six that should have been available.

The airline said it had taken on additional maintenance staff since the incident and had also recruited a new senior technical executive from the CAA nine months ago.

## UK NEWS DIGEST

# Baring creditors row over cash

A legal dispute over the rights to \$947m (\$33.6m) cash held by Baring Futures (Singapore), the futures and options sales unit formerly headed by the jailed trader Mr Nick Leeson, is to go to the Court of Appeal.

The High Court ruled on Wednesday that ING Barings, owner of former operations of Barings, the merchant banking group that collapsed last year, did not have the primary claim on the cash as a creditor of Baring Futures.

It accepted a claim by administrators of Barings employed by the accountancy firm Ernst and Young, that they were first in line for the cash, returned to Baring Futures by the Simex futures exchange after the collapse.

If Ernst and Young wins the appeal, it may be able to make payments to Barings' bond holders, who are the main creditors of the former bank. However, liquidators of Baring Futures in Singapore are pursuing separate legal claims.

ING Barings believed it had a right to the cash because it paid over \$800m to trade creditors of Baring Futures at the end of last year. These payments were made to ensure that it was allowed to restart operations in Singapore.

However, Ernst and Young argued in court that ING Barings was not a conventional creditor of Baring Futures because of the terms of the acquisition, under which it was ring-fenced from taking on Baring Futures' liabilities. John Gapper, London

## LLOYD'S

### Action group alarms market

An eleventh-hour attempt by rebel Lloyd's of London Names to force extra concessions from the insurance market's recovery plan is expected to reach its first court stage early next week. Last night, Mr David Rowland, Lloyd's chairman, reacted angrily to the legal challenge by the Paying Names' Action Group. He warned in a letter to the group that their application for judicial review could cause damaging confusion as approval was sought for the recovery plan by the August 28 deadline.

Mr Rowland said Lloyd's was "straining every sinew" to finance the plan, which includes a \$2.2m (\$4.95m) out-of-court settlement offer to loss-making and litigating Names, individuals whose assets have traditionally supported Lloyd's. PNAO members were "very significant beneficiaries of the settlement," he said.

Lloyd's said last night it had received its first acceptance for the recovery plan. Meanwhile, votes by the Merritt 418 and Cuthbert Heath Names associations indicated overwhelming support. Ralph Atkins, London

## NEW CARS

### Sales forecasts optimistic

Growing signs that nearly 500,000 new cars with the latest P registration prefix will be sold in August have raised confidence that the market could top 2m this year - for the first time since 1990.

The optimistic forecasts are underpinned by strong indications of returning confidence among private buyers. Their absence had contributed significantly to the poor profitability of many carmakers and declining margins among distributors.

This month's sales bulge is expected to be the last, however. The industry is in talks with the government on a substitute registration plate system which would distribute sales more evenly throughout the year. John Griffiths, London

## REGULATION

### Clampdown on pyramid selling

Proposals to curb the activities of pyramid trading schemes were published yesterday by the Department of Trade and Industry.

The proposed new regulations on contracts and promotional material are aimed at clamping down on "get-rich-quick" operations that are bound to fail.

The regulations were described by the DTI as the minimum needed to protect participants without harming legitimate enterprises such as catalogue agencies.

The return of pyramid schemes was illustrated by the recent court actions against the Titan Business Club, a money circulation scheme. Titan was closed by the High Court last month after a senior judge ruled it an illegal lottery. In the Titan scheme, members paid a £2,000 (\$4,500) joining fee and then recouped their money and possibly made profits by recruiting others.

Such money-circulation schemes are guaranteed to result in losers, the DTI argues.

"By the time you get to the seventh level of such schemes, you have to have the entire population of the US and China contributing," said the DTI. John Mason, London

## WORK METHODS

### Council spearheads innovation

Birmingham Council is to introduce high-tech working methods among its 40,000 employees in an attempt to cut spending on office space. The council, which is the largest local authority in England and Wales, hopes to cut spending on accommodation by 20 per cent this year, and a further 10 per cent next year.

Tele-working - where some officials work at home via computer links - has already been introduced on a limited basis in some council departments. Now there are further plans to move staff to satellite offices in schools, libraries and leisure centres.

The aim is to free enough office space to sell two city centre properties to developers. The capital receipts could be used for alternative projects. Richard Wolff, Birmingham

## HOUSING

### Price rises top 5%

Annual house price rises topped 5 per cent last month, for the first time in seven years, according to Halifax, the biggest mortgage lender. The society's house price index, published today, reports that the average price of a home rose by 0.5 per cent in July to £94,298 (\$100,298).

This left prices 5.3 per cent higher than in the corresponding month last year. Last month's increase wiped out a 0.4 per cent dip in prices in June. Halifax said that price fluctuations in the past two months supported its view that house prices would remain broadly stable during the summer "before starting to edge up once more, towards the end of the year".

Andrew Taylor, London

# Labour threatens rail industry with windfall taxation

By George Parker, Political Correspondent

The Labour party yesterday said it may extend its proposed windfall tax to the privatised rail industry, after 49 former British Rail managers made an £80m (£124m) profit from the sale of a train leasing company.

Mr Gordon Brown, the opposition Labour party's Treasury spokesman, said the profits from the £285m (£1.27bn) sale of Porterbrook to Stagecoach, the bus and train company, marked the start of "a new round of privatisation abuses".

Mr Brown said he would give more details about the windfall tax on the privatised utilities in a keynote speech in September.

But a senior Labour official said: "This sale may force us to look at the privatisation of rail when we are looking at the windfall levy."

Mr Robert Sheldon, chairman of the Commons public accounts committee, confirmed yesterday that the sale of Porterbrook would be subject to a full investigation.

Labour claims Porterbrook may be the first of a number of rail businesses to be sold at a large mark-up on the privatisation price. The business was sold for £577m to a management buy-out team in January.

The sale of the company will generate profits of about £80m for former BR managers and staff.

Management and staff put up £15m of the £75m initial equity, with the rest financed by the merchant bank, Charterhouse, and other banks.

Six executive directors, including Mr Sandy Anderson, the managing director, will be the main beneficiaries. Mr Anderson's 210,000 shares are worth £38.6m. Other big winners are Mr Ray Cork with £15.5m and Mr Tim Gilbert with £9.9m.

A further £20.5m will be shared among the company's 45 other staff, giving windfalls of almost £500,000 each to staff from senior managers to secretaries.

Mr Brown, speaking at a Westminster news conference, said: "We are seeing not only the first Tory rail privatisation millionaires, but also evidence of the scandalous under-valuation of our national assets."

Labour is also concerned about Stagecoach's growing prominence in the rail sector.

Mr John Swift, the rail regulator, has launched a review of the competition issues of a train operator acquiring a train leasing company, and has warned the sale may be referred to the Monopolies and Mergers Commission.

# Tyne shipbuilders forge ahead

Equipment for marginal oil fields helps to reopen dusty order books

As the tanker Maersk Dorset arrived in the Tyne, north-east England, yesterday, management and workers at some of the river's leading companies were pondering what a difference three years made.

The Maersk Dorset is to be converted into a Floating Production Storage and Offloading vessel for the new Culew oil and gas field in the North Sea at a cost of £200m (£312m). At least £150m will be spent with Tyneside companies.

Maersk Dorset is the sixth FPSO contract in which the Tyne has played a role and this time the river has the lion's share of the work.

FPSOs, a fusion of shipyard and oil industry technology which offer a flexible, movable means of tapping marginal field reserves, are among the most promising new opportunities to emerge from the international oil and gas industry.

The UK government's Offshore Supplies Office forecasts that they will be needed in up to 122 new fields worldwide over the next five to seven years. FPSOs can be purpose-built or, as with the Maersk Dorset, converted from tankers or other vessels.

The Tyne, with its cluster of complementary shipbuilding, ship repair and offshore industry skills, now claims to be the European centre and market leader for FPSO conversions.

Some competitors, including Harland and Wolff of Belfast and Spanish shipbuilder Astilleros Espanoles, have also successfully tapped the FPSO mar-



Tyneside employers overseeing a revival: from left Barry Johnson, David Hewitt and Denis Scott

ket, but the Tyne's claim finds industry support.

"I believe with the combination of the traditional shipyard skills and the experience of North Sea design and construction the Tyne is probably leading the field in FPSOs in Europe," said Mr Austin Hand, project manager for Shell UK Exploration and Development's Culew field.

Yet this is a river where only three years ago the last shipbuilder, Swan Hunter, was in receivership and where offshore fabricator, Amec, and ship repairer, A & P Tyne, - the biggest Tyneside beneficiaries of the Maersk Dorset FPSO conversion - were struggling.

In the 1980s, the rivers Tyne and Tees built 80 per cent of all topsides - the modules of rigs above the water - in the North Sea's UK sector. There were fears that as the market moved towards more marginal fields where fixed rigs were commercially uncompetitive, the region would lose out.

At Amec Process and Energy's Tyneside yards Mr Denis Scott, the operations director, said that companies had become "fat and lazy". "When the times got tough, we really had to look at ourselves hard to become more efficient."

There were 750 people on Amec's Tyneside payroll a year ago; this now stands at 2,433 and its order book is well over £200m.

At A & P Tyne, which has the lowest employment costs of any western European competitor country except Portugal, Mr Barry Johnson, its managing director, stressed the importance of the Tyne's range of smaller specialist companies, from shotblasters to rope-makers.

Swan Hunter, whose name and Walsend yard were sold last summer to a Dutch investor for offshore-related work, is contributing to the Tyne's resurgence with a £50m contract to convert bulk carrier Solitaire into a cable-layer.

Chris Tighe

# Factory activity strengthens again

By Graham Bowley and Robert Chote

Manufacturing activity strengthened again in July for the second month in a row as new orders rose to the highest level since March 1996, a survey showed yesterday.

But the latest monthly report by the Chartered Institute of Purchasing and Supply painted a less upbeat picture of the manufacturing recovery than other recent surveys.

It confirmed manufacturing was now recovering after recession earlier this year thanks to rising consumer demand but suggested the recovery may be gradual rather than immediate.

Companies laid off staff for the third month in succession. And price competition among suppliers caused the sharpest decline in industrial goods prices since the survey began in 1991.

The subdued inflation out-

look and the sluggishness of the manufacturing recovery suggests the door may still be open for Mr Kenneth Clarke, the chancellor of the Exchequer to make another cut in interest rates in spite of the current strength of consumer spending.

However, a separate study published today by one of Britain's leading forecasting groups predicts interest rates have fallen as far as they are going to and will have to rise next year to restrain inflationary pressures.

Forecasters at the London Business School said that economic growth would accelerate to an annual rate of well over 3 per cent next year, with consumer spending strengthening, exports picking up and construction recovering.

But the LBS added that the interest rate increases needed to keep inflation in check would slow the economy's expansion in 1996 and 1997.

# Tax purge may hit shipping market

By Kerin Hope in Athens and Jim Kelly and Clay Harris in London

One of the leading Greek shipowners active in the UK is at the centre of a tax crackdown which could threaten the London shipping market, the largest in the world.

A raid two weeks ago on Kappa Maritime - the UK operation of Mr Pantelis "Lou" Kollakis - and many of its professional advisers, has brought to light investigations being undertaken by Britain's Inland Revenue into the shipping sector and Greeks in Britain.

It also suggests there is some foundation to fears expressed by other Greek shipowners - who have issued veiled threats that they may desert the London market - that the tax authority is interested in more than just Mr Kollakis.

The raid has raised questions about the durability of the favourable tax status of the shipowners and their operations - one of the reasons London has remained the world's leading market for matching ships and cargoes long after the disappearance of Britain's own merchant fleet. Like other shipowners, Mr

Kollakis's UK operation is an "agency": ultimate decisions are supposed to be made abroad. This allows the hire charge for ships to escape UK tax. Kappa paid less than \$6,500 in UK tax in 1994-95.

A lawyer in Greece said this week: "The usual arrangement in shipping is that your official headquarters is in Liberia or Panama-based company with a branch in Piraeus, the port of Athens, that operates under special Greek legislation for shipping companies. There is no tax liability in Greece."

"The London company is also a branch operation. Such arrangements, both in Greece and London, are designed by governments to accommodate shipowners." Each ship is owned by a different company, registered in Panama or under another flag of convenience such as Liberia, Malta or Cyprus. The ships are managed by another offshore company, which has a branch in Piraeus.

Mr Kollakis has at least 20 vessels, mostly bulk carriers and ships which carry refrigerated cargoes, with an average age of about 20 years. He also part owns Fallon Engineering, a shipyard in Sunderland, north-east England.

joins action, Brazil tariffs

contract signed

Indonesia deal

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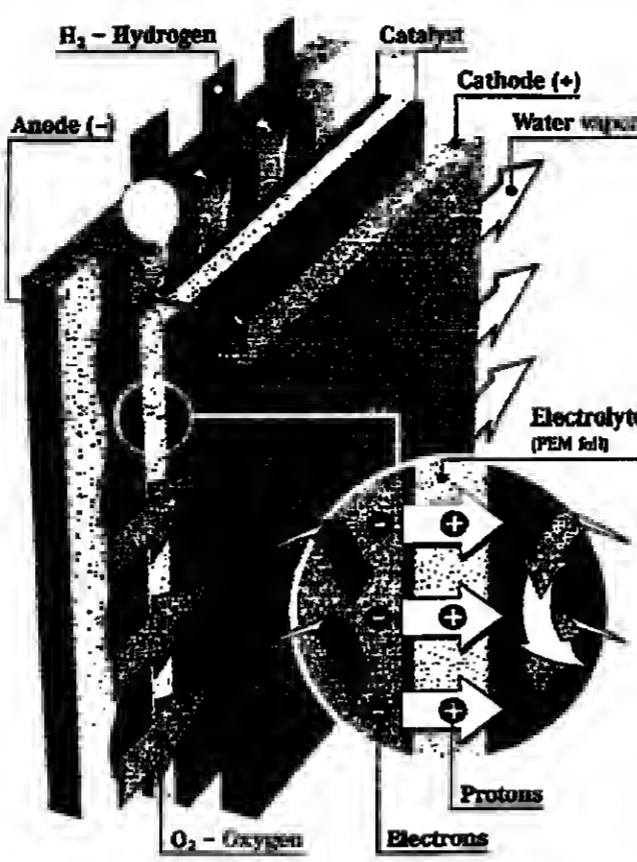
TECHNOLOGY

The fuel cell's commercial potential could soon be translated into reality, explains Clive Cookson

Energetic performer

The fuel cell has long been one of those developing technologies about which cynics say: "it always has glowing commercial prospects 20 years in the future."

How the Fuel Cell works



The Canadian company says its first commercial product with a projected launch in 1996 - will be a heavy-duty fuel cell engine for urban buses.

Hydrogen is the most attractive fuel, technically and environmentally, for fuel cells. The only exhaust it produces is water.

MANAGEMENT

JOHN KAY

Market forces and the winner's curse



Two years ago, the UK's Milk Marketing Board was abolished in favour of a co-operative of producers. At the same time, the arrangement by which milk prices were fixed by a committee representing producers and processors was replaced by a system of regular milk auctions.

your assessment of what other bidders will do. But that assessment will usually be wrong. The picture will not necessarily go in favour of the person who wants it most, but the person who wants it most, but the person who wants it most, but the person who wants it most...

So oil companies learnt strategic behaviour. You adjusted your bidding to what you thought other companies were doing: only rarely did you put in a bid at something close to what you thought an opportunity was worth.

The winner's curse is a reason why many mergers, acquisitions and alliances disappoint

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NOTICE TO CUSTOMERS AND CREDITORS OF A.R. BARON & CO., INC. AND TO ALL OTHER PARTIES IN INTEREST. COMMENCEMENT OF LIQUIDATION PROCEEDING.

NOTICE IS HEREBY GIVEN that on July 11, 1996, the Honorable Lorella A. Prosta, Judge of the United States District Court for the Southern District of New York, entered an Order granting the application of the Securities Investor Protection Corporation for issuance of a Protective Decree.

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ARTS

Sponsorship/Antony Thorncroft

Big names fall for Edinburgh's charms

In theory arts companies are finding it tough this year to reach their sponsorship targets. The competing demands of lottery partnership funding, to say nothing of Michael Heseltine's scheme to raise £100m from business to finance the Millennium Exhibition at Greenwich, are putting the pressure on fund raisers.

More than 30 companies have each paid £5,000 for certain privileges, such as 33 free tickets, discounts on additional tickets, and the opportunity to issue their employees with a Privilege Card, which enables them to buy festival merchandise cheaply and acquire unsold tickets at a discount.

dipping its feet into the London Jazz Festival with Oris. This year Duval is diving in, committing £500,000 over three years into what is now the Oris London Jazz Festival in November. The aim is to make the festival comparable with Montreux and New Orleans.

struggling to reach their sponsorship targets but museums are having an easier time, especially those in South Kensington - the Victoria & Albert, the Science and the Natural History.

The Wednesday Prom by the BBC National Orchestra of Wales got off to a flying start. Having been inspired by the Apollo 11 moon landing as a child, the composer John Pickard became fascinated with the idea of man in space and hit upon the myth of Icarus as the subject for an airborne orchestral piece.

Theatre/Ian Shuttleworth Social free-for-all from all-star cast

Jude Kelly has perhaps been more generally admired of late as an artistic director than for the shows which she has helmed. It may, then, be a relief in some quarters to be able to bestow praise freely upon her latest show.

As bibulous, elderly Yorkshire Argus photographer Henry Ormonroyd, Leo McKern is a bit of a disappointment; although his timing and characterisation are well in place, years of stage and screen rumbunctiousness combine with the requirement of acting drunk throughout to reduce his voice as often as not to a semi-intelligible gurgle.



Big-name centrepiece: Shirley Anne Field and Leo McKern in 'When We Are Married'

It is not necessary to ski at Aspen (pop. about 8,000 plus uncountable visitors, 8,000ft high amid the Colorado Rockies). Instead, when the slopes are green and wild-flower-strewn, you can go to the Aspen Music Festival.

from its silver-mining heydays of the 1890s and 1900s. When the silver boom collapsed, the town dwindled from 12,000 souls to a few hundred; it took until 1947, when the first chairlift for skiing was installed, for the revival to begin.

At 15 years old what would you expect? In the Harris Hall, the American Quartet were coolly polished in Mozart's K.168 and K.458 (the "Hunt" quartet).

Aspen is making a praiseworthy habit of them - was Michael Torke's King of Hearts, originally a commission by Channel 4.

Torke's bright, snappy score. At Aspen, with Torke himself again conducting, the text rather lost out. Not the fault of the excellent student principals - Alfred Walker III, Sarah Turner and particularly Scott Wyatt - nor the raunchy schoolkids, and Anne Patterson's designs looked good; but if there is a way of making King of Hearts come across on the stage, Ed Berkeley hadn't found it.

INTERNATIONAL ARTS GUIDE. AMSTERDAM: Concertgebouw. BERLIN: Berlinische Galerie. BOLOGNA: Galleria d'Arte Moderna. LONDON: Royal Albert Hall. MADRID: Fundacion Coleccion Thyssen-Bornemisza. PARIS: Galerie Nationale du Jeu de Paume. ROME: Teatro dell'Opera di Roma. SAN FRANCISCO: Museum of Modern Art. WASHINGTON: Freer Gallery of the Smithsonian Institution.

Schmidt (b. 1945) from 1965 to the present. The city of Berlin, where the artist has lived all his life, plays an important role in his work; to Sep 8.

century of film. The exhibition also includes a short compilation of the best of British movies; to Oct 9.

private collection. The display includes works by artists such as Toulouse-Lautrec, Monet, Sisley, William Bradford, Maurice Prendergast, Manuel Cabral and Raimundo de Madrazo; to Sep 5.

algebra focusing on twentieth century British sculpture. The display includes works by Henry Moore, Barbara Hepworth, Tony Cragg, Richard Deacon, Jacob Epstein, Gilbert & George, Richard Long and Bill Woodrow; to Sep 15.

Albert Paris Gütersloh, Max Weber and Fritz Wotruba; to Aug 4.

WORLD SERVICE: BBC for Europe can be received in western Europe on medium wave 648 kHz (463m). EUROPEAN CABLE AND SATELLITE BUSINESS TV. MONDAY TO FRIDAY: NBC/Super Channel. 07.00: FT Business Morning. 10.00: European Money Wheel. 17.30: Financial Times Business Tonight. 08.30: Squawk Box. 10.00: European Money Wheel. 18.00: Financial Times Business Tonight.

# Euro hopes left out in cold

When Mr Eddie George, governor of the Bank of England, flew to Frankfurt for a meeting of European Union central bankers last month, he had reason to feel upbeat. UK officials believed they were on the verge of winning extensive access for London to Target, the future EU payments system - even if the UK stayed outside the European Union's single currency.

But their hopes were overturned. To their surprise, French and German officials demanded restrictions on access to Target for countries outside the economic and monetary union (Emu) - potentially undermining London's ability to trade euros.

The wrangle over Target is striking because it is the first firm example of how British businesses could be penalised if the UK stays outside Emu. It has started to provoke reflection in some business circles about the broader risk of discrimination if the UK is sidelined in Europe.

"It has been a bit of watershed," says one senior banker. "Until recently everybody assumed that the City could survive no matter what stance we took on Emu - but Target has made people think."

The unease is not yet highly visible. Euroscepticism continues to be voiced among some business leaders. Even many pro-European companies question whether monetary union should proceed as planned in 1999. And business leaders worried about the wisdom of the UK opting out of the single currency are reluctant to speak out - not least because the issues appear confused.

"We just do not seem to be debating the real issues," says Sir Brian Pearce, chairman of Lucas, the automotive parts group, who also chairs British Invisibles, the City industry group. "There is an assumption that the City will be fine if it stays inside or outside Emu, but I do wonder if we are just a bit complacent."

The impact of the Target decision on the City of London is still unclear, since many details about the new payments and settlement system are undecided. At worst, UK-based banks might find it harder than their continental competitors to borrow euros through Target for trading.

The Target wrangle shows how the UK could be penalised outside Emu, says Gillian Tett



This could hobble London's hopes of creating a euro money market, even though the City is Europe's financial capital. However, this disadvantage for London might be offset if the Emu area imposed tight regulations such as requirements on banks to hold minimum reserve levels. Since London does not have such reserve requirements, it could be attractive as an offshore centre for euro trading - even if it does not become a primary money market.

Although these considerations mean it is too early to conclude what the broader impact of the Target wrangle on the City might be, the episode has provoked unease.

"Some of the clearing banks are starting to get worried about this," says Sir Brian. "It would not surprise me if they start to beef up their operations in Frankfurt."

This unease has been fuelled because the final decision on conditions for access to Target will probably be delayed until the future European Central

Bank is formed in 1998. This means the decision will be taken by likely Emu members only - potentially excluding the UK.

Mr Graham Bishop, European adviser at the US investment bank Salomon Brothers says: "Target is very symbolic, because it is the first time that you can see an issue where measures have been delayed so that the UK will not be at the table."

Indeed, the real significance of the Target wrangle is that it highlights the nature of the possible dangers for the UK in excluding itself from the single currency. Highly technical and complex issues such as payments systems are now the real battlegrounds in the run-up to Emu. And although Target has been the first flashpoint, any loss of influence as a result of staying outside Emu could possibly affect UK sectors other than banking.

As Ms Kate Barker, chief economist at the Confederation for British Industry, says: "The issue is that business in continental Europe is done through deals and negotiations - and that depends on having a constructive relationship."

Outside the City, few manufacturing companies are now admitting to serious concern about how their interests could be damaged by the UK's shunning Emu. UK exporters already selling goods freely in EU markets believe it is highly unlikely that single market legislation would be reversed. But some companies heavily exposed to EU legislation are uneasy about the potential loss of influence.

For example, the chemical industry is one of the few sectors of British business which strongly wants the UK to join Emu. As Mr Bryan Sanderson, head of BP Chemicals points out, some 80 per cent of legislation affecting the chemical sector now stems from Brussels.

"We have not seen any sign of discrimination yet, but the problem is that the UK's political attitude means that we start every debate on the back foot," he says. "Being outside you could well have a backlash," says Mr Richard Freeman of Imperial Chemical Industries. "It is something we would have to take into consideration in investment decisions for ICI."

And service sectors which are so far barely touched by the single market echo this concern. Sir Iain Vallance, chairman of British Telecommunications, has been one of the first business leaders to warn publicly that an anti-Emu UK stance could harm business interests.

"Retaliation is definitely on the cards - there are enough people talking about it," he said recently, speaking in a personal capacity.

British American Tobacco, which plans to expand its financial services interests in Germany, admits it is alarmed. "We have always thought that the inner group will find ways to organise themselves covertly to favour their financial centres," says Mr Roger Lomax of BAT. "Target has just confirmed that."

"People are not talking publicly about it now, but once the election gets out of the way, my guess is there will be panic in the business and finance community about being left outside."

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, http://www.ft.com. Translation may be available for letters written in the main international languages.

### Russian tastes westernised, but still sweet on home-grown products

From Professor Richard Rose. Sir, Roderick Oram's article, "Consumerism's new citadel" (July 31), about Russian consumers tells only half the story. While there is a demand from some Russians for some western goods, others prefer Russian goods. Our New Russia Barometer surveys of public opinion find 88 per cent prefer Russian chocolates to western chocolates, and 66 per cent prefer a Russian to a western watch.

For colour television, the position is reversed: three-fifths would pay twice as much for a Japanese set as for a Russian set. Russians who prefer western goods are a "New Class" - younger, more educated and much more likely to work in enterprises never in the public sector. In short, they are just the sort of people who might

read the Financial Times. While Dostoevsky is dead, the traditional Russian division between westernisers and Slavophiles can still be found, whether the subject is consumer behaviour or voting behaviour. Richard Rose, Centre for the Study of Public Policy, University of Strathclyde, Glasgow G1 1XH, UK

### LME issue is a matter of control

From Mr C.J.B. Green. Sir, in his eagerness to attack the London Metal Exchange, Mr R. Patrick Thompson (Letters, July 30) has himself confused the issues and been sidetracked. He would do well to note the words of Mr John Phillips, Director of the US Commodity Futures Trading Commission's office of public affairs, who is quoted as saying, in the July issue of Risk magazine: "This is a matter of failure of internal controls at Summitone. Regulators can't be expected to tell companies how to run their business."

Finally, Mr Patrick Thompson should not put words into my mouth and then use them to further his cause. Nowhere in my article did I say the [LME] system is "good enough". There is always room for improvements in the light of new experiences or developments. C.J.B. Green, chairman, Barclays Metals Group, 2 Minster Court, Mincing Lane, London EC3R 7BB, UK

### No such camp

From Mr Jarek Porejski. Sir, Anna Reid, describing the fate of Ukrainian Jews during the Holocaust in her article "Why the streets are paved with Jewish graves" (July 27/28), refers to the Belzec concentration camp as "a Polish concentration camp". There was no such thing as "a Polish concentration camp". Belzec, Auschwitz, Treblinka and many other places of Nazi atrocities were in fact German concentration camps in occupied Poland. Such unfortunate statements, repeated too often, lead to misunderstandings and dilute the blame of true perpetrators.

Jarek Porejski, Broniewskiego 55 m 12, 01-716 Warsaw, Poland

### CBI view on Emu decision

From Mr J. Adair Turner. Sir, I refer to Gillian Tett's article on the Confederation of British Industry's stance on the transition to Emu, which quoted part of our written evidence to the Treasury select committee ("Single currency position 'damaging'", July 30). I would like to make clear that the point taken from our submission referred to the benefits for business of some certainty about the way in which the eventual decision will be taken. It is true that the value of keeping options open on Emu participation at the outset will diminish, and the value - with regard to the business practicalities - of a definite decision will increase, as 1999 approaches. But we believe there is still some value in

keeping both options open for a while longer. In our oral evidence to the committee, we made clear that a decisive announcement with respect to Emu entry was not necessary yet, and probably not until sometime late in 1997. In the meantime, however, it is important that discussions on the practical issues of the transition are pushed ahead, so that the option to join at the outset does not disappear by default. The CBI intends to play a full part in pushing forward work on that topic. J. Adair Turner, director-general, Confederation of British Industry, Centre Point, 103 New Oxford Street, London WC1A 1DU, UK

### Certainty is misplaced

From Mr John Carley. Sir, in your editorial "Embryos" (July 30), you state that, contrary to the opinion of some anti-abortion groups, the destruction of frozen embryos cannot be equated with the killing of babies. Your certainty is impressive, your statistical proof less so. Inconvenient though it may be, the choice between life and death involves rather more metaphysics than does stock market analysis. John Carley, 13 Prospect Road, Rawtenstall, Rossendale, Lancashire BB4 8EJ, UK

### Olympics about goodness of the human spirit

From Ms Neva M. Murphy. Sir, I am disappointed by all the articles criticising the Olympic Games in Atlanta. The media is looking for every possible negative issue. The games are about strength and goodness of the human spirit, not negativism. Every country that hosted the games had its problems and share of complaints, but what bothers me is the accusation of Americans being jingoistic. I saw a lot of flag-waving at the Olympic

Games in Lillehammer in Norway, and I thought it was terrific. It's nice to see people taking pride in their country. Americans are some of the most enthusiastic supporters of their athletes. Americans also cheer their favourite athletes from other countries - I am one of them. With regard to the bombing in Centennial Park, it was a tragic incident which brought back the memory of the tragedy at the Olympic Games in Munich. However, most

people remember the gold performances of athletes at these games - I hope people will remember the gold performances at Atlanta. Above all, I hope they remember the spirit of the games and strength of human spirit when it comes to resolute protection of freedom and the remarkable resilience when it is threatened. Neva M. Murphy, 534 East 87th Street, New York, NY 10128, US

### Europa - Carl Bildt

# Extend the brief on Bosnia

Peacemaking by the international community must last longer than the end of the year

Can it work? This is by far the most frequently asked question about the peace process in Bosnia. And can the countries contributing to the 100 peace implementation force count on their troops leaving at the end of the year?

The record after almost eight months of implementing the peace accord agreed at Dayton is a mixed one.

Mr Radovan Karadzic, leader of the Bosnian Serb entity, has been pressed into handing over all formal public and party functions. But Mrs Biljana Plavsic, acting president of Republika Srpska, the Serb-controlled part of Bosnia, is talking about creating "an ethnic state" in terms which indirectly condemn ethnic cleansing. Not until Mr Karadzic appears in The Hague to answer war crimes charges can the full normalisation of relations with the Serb entity begin in earnest.

In the Moslem-Croat Federation, the other entity in Bosnia-Herzegovina, tensions remain between the two communities, as illustrated by the latest divisions over Mostar. The last remaining Catholic church in the Moslem stronghold of Bugojno was recently the target for arsonists, and there has been a similar outrage against a mosque in Ploce, a Croat-held town.

But the positive signs are there. On Tuesday, the first train for 1,564 days travelled from Sarajevo to Mostar and on to the Adriatic port of Ploce - on lines rebuilt with European Union money. It was heralded by Mr Alija Izetbegovic, Bosnian president, as the second end of the Sarajevo siege.

For all the inadequacies of economic policymaking and the slowness of international help, the cafes are opening, the farms are being cultivated and some factories are beginning to work. The first signs of economic revival are visible. Bosnia is now heading for elections on September 14, and after the elections comes the



Carl Bildt: the record of implementing the peace accord is a mixed one

crucial phase when the common institutions of the country will be set up and - I hope - start to operate. This is the most difficult and important part of the peace implementation this year - far more difficult than the separation of military forces and transfer of territory carried out by Ifor at the beginning of the year.

Election campaigns inevitably stress what separates rather than what unites. The chances of the election diminishing the influence of ethnic-based politics in the three communities in Bosnia-Herzegovina are approaching zero. And if there is any change in attitudes, it is a hardening of those which have driven the country to ethnic separation and ultimately war.

The common institutions that will be created after the elections - presidency, parliamentary assembly, council of ministers, central bank, constitutional court, standing committee on military forces - will work only if there is a reasonable understanding between the three communities and the two entities. This requires a more or less common understanding of the nature of the peace agreement.

Here, views are very different. On one side, there is the effort to interpret the agreement as a recipe for a unitary Bosnian state, with no real role for the two existing entities. On the other, there is a tendency to see the Bosnian Serb entity as practically independent and its boundary as a state border.

The French government has proposed a two-year period of consolidation, and the steering board of the Peace Implementation Council, which I chair, has started to discuss the period after 1996. In Bosnia itself, I am seeking agreement for new all-Bosnia elections in September 1998, thus giving the country a two-year period to consolidate the peace and refine the national and international structures to support it.

Such a period of consolidation must in all probability be supported by a military presence in the country and the region - at least initially. Ifor will leave at the end of the year, but on present trends a substantially smaller but very robust force will be needed to

deter those thinking in terms of war again. Its composition must reflect the transatlantic coalition which - with Russian participation - is so actively pursuing the peace effort.

But a security presence is only one part of the overall commitment. The European Union must develop its "regional approach" to start making a long-term contribution to stability in the region by creating a free environment for trade and economic co-operation as possible.

This would not only link the different parts of the area together, but also draw them into the long-term process of European integration. And it would give the EU more powerful leverage in Zagreb and Belgrade than now.

In spite of all the problems, I believe the peace can hold, and the extremely ambitious goals of the peace agreement can be realised gradually. But the challenges are enormous.

What has been done so far this year has been simple compared to what lies ahead. It would be naive to believe that those involved in implementing the peace agreement can just pack up and go home at the end of the year.

If we are lucky we will have made a start towards building a genuine peace - maybe not much more. Nevertheless, that would be an impressive achievement after all that has happened to Bosnia over the four past years.

The author is high representative in Bosnia-Herzegovina, in charge of implementing civilian aspects of the Peace Agreement

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Friday August 2 1996

Mr Santer's Commission

The European Commission shut up shop this week and hit the beach. Some outside Brussels may not detect much difference in the level of activity. But a closer inspection of the Santer Commission's record suggests there is more than meets the eye. It is true that this is a low-key Commission, cautious to the point of timidity, a shadow of its activist predecessors under Mr Jacques Delors. That may be a blessing in disguise. President Jacques Santer's two conspicuous successes since he arrived in Brussels 18 months ago concerned issues which his volcanic predecessor might easily have mishandled. Last year, he expertly defused the row over President Chirac's decision to resume nuclear testing in the South Pacific. This year, Mr Santer played peacemaker in the panic over mad cow disease, refusing to isolate Britain while maintaining the pressure on a hostile government in London to accept responsibility for eradicating BSE. He had a good beef war.

Mr Santer has been less successful when he switched to offence. His plan to raise an extra Ecu1.7bn to kickstart financing for trans-European transport networks and EU research policy was misguided. As a former finance minister, he ought to have realised that France and Germany would put a higher priority on meeting budgetary discipline ahead of the planned leap to monetary union in 1999.

More telling was his failure to extract political capital from the action plan for employment he presented to the EU summit in Florence last month. Far from being a textbook in corporatism, the action plan is a thoughtful blueprint for tackling rigidities in Europe's economy. The Irish pres-

idency should consider a relaunch at December's Dublin summit. It is tempting to contrast Mr Santer's fate in Florence with Mr Delors's summit successes. But Mr Delors was operating in a different era. The late 1980s were a period of solid economic growth. Governments had spare cash to hand over to Brussels. Last week, EU ministers actually cut the draft budget for 1997.

Mr Santer understands these financial constraints, just as he has grasped the political constraints of the post-Maastricht era. Mr Delors overreached in his relationship with the nation states; now the Commission is paying the price. The adjustment for the Brussels executive is all the more painful because the Commission's role is changing rapidly from the role of initiator of grand legislative projects to enforcer of law already on the books. In this respect, one of his chief tasks must be to police the single market and maintain the confidence of business and consumers in the project.

The Santer Commission's weakness is its lack of inspirational ideas. The ordinary citizen still has to connect with the Maastricht treaty review conference or the still greater challenge of EU enlargement to central and eastern Europe.

Inside the Commission there are only vague hints that people appreciate the financial and political shock which the next round of enlargement implies. This certainly applies to the institution itself. Despite useful recent reforms in financial management, working methods and culture have changed little in 30 years. There is a case for a new management review. In short, there is plenty for Mr Santer to contemplate during his summer vacation.

Poor reform

President Bill Clinton's desire to "end welfare as we know it" seems to have triumphed over his hopes of making the US welfare system any better. The Republican-sponsored bill which he has now promised to sign is a modest improvement on the two bills which he vetoed last year. But it is still a regressive attack on the country's meagre social safety net - which a reformist president not running for re-election would not have signed.

Both critics and supporters of the bill have dubbed it the biggest change in US social policy since the New Deal. For once, the hyperbole is accurate. In the Social Security Act of 1935 the federal government took over responsibility for ensuring a basic level of public support for every poor single parent family, or "mothers' pensions", as they were then known. In effect, the 1996 bill hands that responsibility back to

the states, with added stipulations that henceforth welfare assistance will be limited to a lifetime maximum of five years per family and that half of all recipients must work after two years on the rolls.

Many US welfare experts have warned that the bill will have dire effects for the poor, particularly children. Yet it is a measure of the gamble involved that no-one really knows how states will respond to the new system, or the \$65bn cut in federal benefit payments over six years, that goes with it.

What is clear is that the legislation ignores the main lessons of previous welfare reform attempts: that moving people from welfare to work takes time and money. It is a measure of Mr Clinton's insecurity that, even with a commanding lead in the polls, he no longer believes that he can afford to devote either to the reform effort on which he so forcefully campaigned in 1992.

Takeover rules

Rules governing the conduct of takeovers are far from adequate in many European countries. Incumbent managements can see off hostile offers too easily; the rights of minority shareholders are often brushed aside; shareholders are denied significant information; and some battles are policed poorly. All this impedes the efficient working of the market. However, the solution being proposed by the European Commission, in its controversial 13th directive on company law, is not the answer.

The draft directive, which has provoked strong opposition in the UK, is a well-intentioned document. It aims to harmonise EU practice by laying down broad principles and some general rules, leaving each member state a wide degree of discretion in the means of achieving them. The principles include: protection of minority shareholders; the designation of national authorities to oversee bids; equal treatment for all shareholders; rules to ensure that boards act in the interests of their companies; and prevention of false markets in the shares of companies involved in a bid.

All these principles are already enshrined in the takeover regulations of the UK, which generates by far the greatest bid activity of any European country and has evolved the region's most comprehensive and respected rule-book, in the City takeover code.

It is therefore ironic that British opinion has been most vocal in attacking the directive. Opponents include the House of Lords Select Committee on the European Communities, which issued a report on the subject last month. The Law Society and the Takeover Panel, the self-regulator of City, the government is likely to support the critics.

The objections fall into three categories. First, it is questionable whether the proposal accords with the principle of subsidiarity, which lays down that action should not be taken at the centre when it can better be taken at national level. Second, the text of the directive is so vague on some issues of takeover practice that it leaves too much to be done by the member states. For example, to define the point at which control of a company is acquired, which is a key issue when considering the protection of minority shareholders.

But the greatest British concern is that the directive would undermine the Takeover Panel and its code, which are extra-legal, relying for their authority on the acceptance of City practitioners and an unwillingness by the courts to intervene. The directive would make the UK regime statutory, opening up the possibility of legal challenges to the panel.

Not all are convinced that this would be fatal to its authority. However, it is a racing certainty that companies fighting to retain their independence against a hostile bid would attempt frustrating legal action under the directive. Should the courts intervene, the strengths of the current system - speed, flexibility and certainty - would be lost.

The risk is not quantifiable, but it is sufficient to justify rejection of a directive which offers insufficient European harmonisation, and cannot address the cultural barriers which are the greatest impediment to progress. Market forces, in the form of more demanding shareholders and corporate need for international capital, are slowly breaking down these barriers. They should be left to do so.



Surrounded by Mexico's ghosts

President Zedillo is struggling to win the trust of his people despite improvements in the economy, say Stephen Fidler and Leslie Crawford

Foreign bankers were celebrating Mexico's return to the financial fold this week with a note issue raising \$6bn on the international markets. But President Ernesto Zedillo was still wearing the haunted air of a man condemned to live with the past.

He stepped into a dead man's shoes to become president, replacing his friend Luis Donaldo Colosio, the candidate murdered five months before the August 1994 general election. Having won that election he inherited an overvalued currency and found himself presiding over a traumatic devaluation less than three weeks after taking office.

He allowed Mr Raúl Salinas, elder brother of former president Mr Carlos Salinas, to be jailed on on murder and corruption charges. Revelations about Raúl's hidden fortune and ties to prominent business executives have exposed the murky links between business and politics in Mexico, adding to the nation's sense of betrayal at a time of unprecedented economic hardship.

A year and a half into his presidency, Mr Zedillo has been unable to unravel the murder of Colosio, or that of José Francisco Ruiz Massieu, a leader of the ruling Institutional Revolutionary party (PRI) who was killed in September 1994. Most Mexicans believe the clues to the assassinations lie within the PRI. "It is disturbing that so many things have not been properly explained," a leading Mexican banker says. "It has contributed to the general feeling of unease, of uncertainty, that hangs over us like a shroud."

Such a bitter legacy explains why, despite early signs of economic recovery, Mr Zedillo is still struggling to win the trust of his people. A Mori opinion poll last month found only 14 per cent approved of his government - and 53 per cent disapproved.

So far, most of Mr Zedillo's plaudits have come from abroad. The

former central banker has won praise for sticking to an unpopular austerity programme which has stabilised Mexico's battered currency and halved the annual rate of inflation to about 30 per cent in less than a year. The \$6bn raised this week will go to repay, ahead of schedule, part of the \$20bn credit line made available by the US during last year's financial crisis.

Economic activity has begun to recover from last year's 7 per cent contraction in gross domestic product. The revival, however, is almost exclusively confined to the export sector, a highly concentrated corner of the economy. According to GEA, the Mexican economic consultants, 580 companies accounted for four-fifths of the country's \$79.5bn exports last year.

In the rest of the economy, the recession has cost almost 1m jobs, and Mexican wages will have lost 20 per cent of their purchasing power by the end of the year. Mr Guillermo Ortiz, finance minister, says consumption will not recover its pre-devaluation level until 1998 at the earliest.

Mr Zedillo is not promising any miracle cure either, and certainly not before next year's mid-term elections. "My government will not be one of surprises or spectacular announcements," he says. "If we want certainty, we need to move according to a plan. For this year, we fully expect to meet our 3 per cent growth target. In 1997, the Mexican economy will need to grow at a rate close to 5 per cent, and from 1998 onwards, we need to grow at rates significantly higher than 5 per cent if possible."

Mr Zedillo's ambitions for the economy have been greeted with scepticism. Against this lacklustre economic backdrop, the president is attempting the most radical overhaul of Mexico's political system since the ruling party took power 67 years ago.

Constitutional reforms approved by Congress this week will pave the

way for more public financing for political parties and a fully independent election supervisor. External auditors will control how parties spend their money during elections and between them. The over-representation in Congress of the majority party - which has always been the PRI - will be reduced by cutting the bias in favour of the party that polls most votes.

"The great value of these reforms," says Mr Zedillo, "is that all parties represented in Congress put their signature to the agreement. We have never had this degree of consensus in Mexico."

"The problem with Mexico's political system is that each time we have elections one side declares in advance the illegitimate nature of the rules and therefore refuses to accept the results," says the president. "Now that all parties have agreed to the new rules, they will also be obliged to defend and respect them. For me this was the key aspect of the agreement. Consensus was an objective in itself."

The electoral reforms, however, are not expected to usher in cleaner and fairer elections automatically. "The problem with Mexico is not its laws, but the way in which they are flouted," says Mr Felipe Calderón, leader of the conservative opposition National Action party (PAN). "New laws will mean nothing unless they allow us to examine the PRI's accounts. Where does it get its money? How does it spend it? I would give anything to know that."

Controversy over the PRI's apparently unlimited resources achieved the dimensions of a national scandal this year in Tabasco, an oil-rich state. The party is accused by the opposition Revolutionary Democratic party of spending more than \$70m to secure the election of the state governor.

Last month a local prosecutor cleared the PRI of any wrongdoing

shortly after Mr Zedillo visited Tabasco. Few Mexicans failed to link the two events.

Mr Zedillo says the Tabasco controversy was a state, not a federal affair - so he was obliged to respect the rule of law and unable to intervene even if public opinion would have liked him to act. This narrow interpretation of his constitutional powers, and his reluctance to act outside them, is novel in a country more accustomed to authoritarian, all-powerful leaders.

"If we had a long tradition of judicial independence in Mexico, the president's approach would make sense," says a PRI veteran. "Nobody, however, believes in the law. The president's approach is therefore constitutionally correct, but politically unsatisfactory, because it solves nothing."

Many party members worry the president is abdicating vital powers necessary to maintain control over a diverse and fractious nation. Having little support within the PRI, the president has decided he will not interfere in party political affairs. He has also said he will not appoint his successor, foregoing the prerogative of all his predecessors since 1929.

Mr Zedillo's withdrawal from party politics has left the PRI scrambling to invent a new selection system to replace the presidential *dedazo* (big finger). Internal discord has postponed a national convention to launch a "renovated" PRI and new selection rules three so far this year.

"The next presidential candidate of the PRI will probably be selected by some kind of primary," says Mr Santiago Oñate, the PRI president. Some party stalwarts, he admits, are so angry at the government's mishandling of the devaluation they would like to disqualify all technocrats from standing for office. Other party members wonder whether the list of qualifications proposed for presidential hopefuls is not too stringent. "What is really being dis-

cussed is the best method to pick a winner," Mr Oñate says.

Mr Oñate insists the PRI and the president really want a more open, more accountable political system. But sceptics point to the lack of progress in the Colosio murder inquiry, and the government's reluctance to pursue corruption scandals linked to the privatisations of the Salinas administration (in which Mr Zedillo and many members of his cabinet served), as evidence that little has changed besides the rhetoric.

Mr Jorge Castañeda, an opposition political analyst, is among those who believe Mexico has not yet embarked on a democratic transition. Because there is widespread cynicism about the independence of institutions, he believes a break with the past can be made only through the establishment of a "truth commission" on the South African or Chilean models. Led by independent and respected notables, such a commission would examine all the issues of the past with a view mainly to knowing the truth, punishing some of the worst excesses and providing an amnesty for others. In this way a break with an unhappy past could be made.

Such ideas have sympathisers in the cabinet. "It is necessary for the health of the country to have a full report on the assassinations," one cabinet member said. "The reason we do not have one is that the political elite is too divided to agree on an 'official' explanation."

Even if the president were disposed to create a truth commission - and his emphasis on institutional solutions to problems suggests he would not be - he may not dare to for fear of what it would uncover. The fragile political and economic stability rebuilt since last year would be threatened.

"The past is still the dominant chapter in Mexico," says Mr Manuel Camacho, a former presidential hopeful who left the PRI last year. "And Zedillo is its prisoner."

OBSERVER

At long last - lift-off?

Iberia, the debt-burdened state-owned Spanish airline which started a controversial Ptas7bn (£107m) bail-out at the beginning of the year, is getting to know its new boss, Xavier de Irala, 49.

Yesterday he met the airline's truculent unions and today he's due to hold his first board meeting. He says he wants what the company has failed to deliver over the years: satisfied clients, motivated employees, a constant earnings improvement and a competitive edge.

This is radical stuff for Iberia, which ran up accumulated net losses of Ptas240.9bn between 1990 and 1995.

But then de Irala, one of the most imaginative corporate appointments of Popular party leader José María Aznar's new centre-right government, is unspooled by public sector lethargy.

His background is in marked contrast to that of previous incumbents - there have been three in the past six years - who were drawn either from the upper echelons of INI, the public sector holding now being wound down, or the Francoist establishment, whose corporate acumen is best forgotten.

The son of a prominent Basque nationalist who was exiled after the Spanish civil war, de Irala was born and brought up in the US and

Don't bank on it

Costas Simitis, Greece's erstwhile mild-mannered prime minister, is showing his true colours - by starting to put his own stamp on the Panhellenic Socialist Movement.

After inheriting the party leadership last month from the late Andreas Papandreu, Simitis has started what promises to be a thorough purge of top officials who were close to his predecessor.

First to go is Anastasios Tzavellas, who held two big jobs simultaneously: governor of the state-controlled National Mortgage Bank and chairman of the Athens Airport Company, a joint venture between the Greek state and Germany's Hochtief group, which is building an EuroZn new airport for the capital.

Tzavellas's high-handed style annoyed the central bank. His mistake was to ignore a recent Bank of Greece request to rein-in mortgage lending. NMB's generous hand-outs contributed to a surge in credit expansion that threatened to blow the bank's monetary policy out of the water.

Commercial bankers were piqued

A grave business

In the UK, Douglas Davies, author of a book called *Raising Old Graves* - voted by the Bookseller magazine *Oddest Title of 1995* - is joining the board of the Crematoria Investment Company. CIC runs a crematorium in Aberystwyth, is developing two more in Wales and Scotland, and plans further expansion.

Asked what his tasks would be as a director, the expert on death rites said: "I don't know." Aged 49, he's professor of religious studies at Nottingham university, as well as an unpaid Church of England minister, but this is his first directorship.

*Raising Old Graves* argued that most people think new bodies should be buried in existing graves, as a way of saving space.

Dog days

Hollywood starlets insure their legs. Concert pianists insure their fingers. But in Vietnam, people insure themselves against being bitten by their dogs.

Bao Viet, an enterprising insurance company, recently started selling a special policy for pet owners worried about rabies. Concern is apparently so high in the central province of Hue that 30,000 pooch owners have bought into the package.

A mere 30 US cents buys protection worth \$10 if the owner requires treatment for rabies. In one case, Bao Viet paid \$136 to the family of a man who had died after being bitten by a rabid dog, a figure roughly equal to the province's annual per capita income.

But sadly, there's not a word on what happens if man bites dog.

**50 years ago**

Shanghai Exchange to Reopen

The Shanghai Stock Exchange is being thoroughly reorganised for reopening. Formerly British-registered, the new exchange will be Chinese controlled, and only shares of Chinese limited companies or of partnerships that have been registered under Chinese Company Law will be accepted. Shares of foreign companies will be accepted only after they have been properly registered under the company law, and provided the foreign companies are doing business within Chinese territory.

The Volkswagen

A report that Bristol Aeroplane Company was to manufacture the Volkswagen, the so-called German people's car, was denied by a representative of the company yesterday. Mr John Wilton, minister of supply, said in the House of Commons on July 22 that proposals for manufacturing certain makes of German and Italian cars were being examined.

N. Rhodesia Mines to Close?

The Northern Rhodesia Chamber of Mines will have to consider placing all mines in Northern Rhodesia on a care-and-maintenance basis and gradually disperse the European and African employees, said a statement made at a meeting of the Chamber of Mines and the Northern Rhodesia Mineworkers' Union.

### LEGAL DEFINITIONS

1. A term commonly used for securing a right to floor  
2. round disk as dispersed to antenna (cf. J. Swensen)  
3. fiscal obligation to State executed under very complex  
laws, see ROWE & MANN (p. 0171-248 4282)

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### Governor insists there will be no devaluation

## Thai central bank spends \$1bn to defend currency

By Ted Bardackie in Bangkok

Thailand's central bank has spent more than \$1bn, or nearly 3 per cent of its foreign reserves, fighting off a renewed attack on the baht over the past week, the central bank revealed yesterday.

For the first time, the bank has intervened outside the Bangkok market, selling dollars for baht in Hong Kong and Singapore where the Thai currency is actively traded, dealers said.

Pressure on the baht has intensified since late last week when the central bank scaled back its projections for export and gross domestic product growth and revised its current account deficit forecast to 7.8 per cent of GDP from 6.5 per cent.

This cast fresh doubt on Thailand's ability to sustain its export performance. The resulting market nervousness again caused the central bank yesterday to insist there would be no devaluation.

The size of the intervention and the methods employed were designed to send a message to speculators, said Mr Rerngchal

Marukanonda, central bank governor. "We want to confirm our principles on the exchange rate system: there will not be any devaluation."

The bank has not called on repurchase facilities offered by other Asian central banks but the move into foreign markets mirrors the approach to intervention of the central banks of leading industrial countries.

More than half of all baht trading takes place offshore. Many traders have worried that this weakened the central bank's ability to influence the currency, despite foreign reserves of more than \$39bn.

The latest intervention allowed the Bank of Thailand to fix the mid-rate of the baht at Bt25.22 to the dollar, an appreciation of the currency by six satang. The closing rate was Bt25.259 compared with Bt25.273 on Wednesday.

Separately, Thai brokers and mutual funds agreed to set up a support fund for the ailing Thai stock market. This has fallen by 15 per cent over the past month as currency trouble, together

with worries about falling economic growth and poor corporate earnings, spilled into equities.

Taking a further leaf out of the books of the central banks of industrial countries, the Bank of Thailand resold baht purchased in Hong Kong and Singapore in the forward market.

This helped ease the money market pressures and offset the drain of baht liquidity as a result of its intervention in the spot currency market. The bank also offered to buy bills of exchange from banks and finance companies, in addition to government bonds.

Yet this intervention has been only partially effective, with short-term interbank rates still at 17 per cent, down from a high of 36 per cent on Wednesday. "The bank is in a difficult situation here," said one Thai fixed-income analyst. "The system can only handle rates like this for a week or two. But if they pump in too much money they undermine the baht. So far they're doing OK."

World stocks, Page 30

## German growth expected to pick up next year

By Judy Dempsey in Bonn

The growth rate of the German economy should pick up again next year, but the Ifo economics institute is forecasting a modest 2 per cent rise after only 0.75 per cent growth this year.

In its latest monthly report, the institute said that sustained growth would continue to be heavily dependent on exports as consumer spending and construction remained sluggish.

It warned that high unemployment would persist as industry continued to invest in a bid to cut costs and increase competitiveness.

The report, in line with recent government estimates showing signs of recovery, estimated that growth in the second quarter would more than make up for the seasonally adjusted 0.5 per cent fall in the first quarter.

The main source of strength in the economy continues to be exports, despite slow economic growth throughout the European Union and frequent complaints that high operating costs are hurting the international competitiveness of German industry. Ifo said German exports would grow a real 3.5 per cent this year compared with 1995 and surge to 5 per cent next year.

"German companies are targeting the fast growing economies, particularly the south-east Asia markets and indeed eastern Europe," said Mr Holger Fabring-Krug, chief economist at Ifo in Frankfurt. "Much still depends on the strength of the D-Mark against the US dollar."

The boost in exports is having a spin-off effect on investment in plant. After a 2 per cent rise in 1995 followed by zero growth this year, Ifo expects an increase of 3 per cent next year.

But Ifo and analysts said the effects of these positive trends would take some time to filter to other sectors of the economy.

Ifo said the unemployment rate would dip to under 10 per cent in the second half of this year, compared with 10.5 per cent in the first half, but expected it to rise to 10.5 per cent early next year.

Consumer spending, influenced by fears of unemployment, the heavy tax burden and the government's plans to introduce savings of DM50bn (\$33bn) next year through social welfare cutbacks, was set to grow a modest 2 per cent this year compared with 1.7 per cent last year and a further 2 per cent in 1997, Ifo said.

Investment in the construction industry might fall as much as 4 per cent this year in west Germany and it believes a boom in east Germany is about to end. Ifo reckons overall growth in construction will fall 4 per cent next year after a decline of 1 per cent for the second half of this year and a sharp drop of 5 per cent during the first six months caused largely by a long winter.

### THE LEX COLUMN

## Boeing goes ballistic

After its failure to merge with McDonnell Douglas earlier this year, Boeing's \$3.3bn acquisition of Rockwell's aerospace and defence operations looks like a consolation prize.

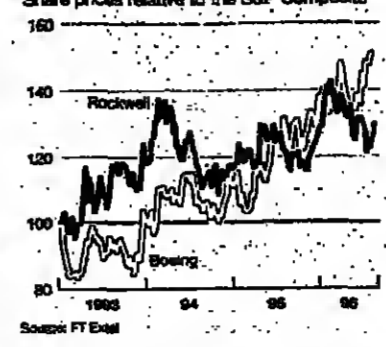
That does not make it a bad deal. The two businesses complement each other in defence electronics, space systems and missiles, providing plenty of scope for cost savings. Moreover, Rockwell's electronics expertise will lend credibility to Boeing's bid to manufacture the next-generation US Joint Strike Fighter, one of the fattest contracts around. Despite that, Boeing is paying only once sales, well below the 1.2 times Northrop Grumman forked out for Westinghouse's defence operations. That should make the purchase earnings-enhancing from 1998.

But it still leaves Boeing with some catching up to do in the rapidly consolidating US defence industry. Its combined annual revenues of \$8.5bn will be well behind Lockheed Martin, the leader with sales of \$25bn. Given Boeing's ambitions to be one of the survivors of the shake-out, further acquisitions look inevitable. That in turn could push its rivals closer together: a combination of McDonnell Douglas and missiles specialist Raytheon would make sense. Rockwell, which should be the choice of doubling up or getting out of defence, is in good company by opting for the latter route. Honeywell, Ford and Westinghouse have all withdrawn from defence in the past few years. With good positions in factory automation, semiconductors and car parts, as well as \$500m of net cash after this deal, Rockwell looks the real winner.

FT-SE Eurotrack 200: 1664.7 (-13.4)

US aerospace companies

Share prices relative to the S&P Composite



Another difficulty is that the group is unwilling to stray outside existing core areas like automotive tubes, mechanical seals or polymers. However, TI's strong market positions mean bolt-on purchases large enough to make an impact are hard to find. One notable exception is the joint venture with Messier in aircraft landing gear. TI would clearly like to take full control, particularly since a reducing profit share arrangement dilutes its exposure to recovery in the aerospace market. But with the French unwilling to sell, there is little Sir Christopher can do but wait.

Of course there is always scope to win a bit more market share and to tease up margins by improving the product mix. But until TI takes the plunge and buys something it is hard to see the shares outperforming.

### Keplit

It is easy to conclude that the best thing for the Kleinwort European Privatisation Investment Trust (Keplit) would be to put it out of its misery, as proposed by TR fund management's European Growth Trust. Keplit was both ill-conceived, raising far more than it could wisely invest, and ill-timed, since it emerged in the depths of European recession and shortly before a stock-market correction. Moreover, its performance has been far worse than its peers. But if it is to be put down, it should be at the hands of Kleinwort.

TR certainly deserves gratitude for its intervention. Corporate raiders provide a useful service in the investment trust industry, where excess supply of funds and poor management can cause substantial discounts to net asset value. But TR's raid promises more than it is likely to deliver. Not only do the TR fund and its advisers stand to cream off around \$2m more than if Kleinwort were to liquidate Keplit itself but, given the limited timeframe under which TR is operating, marketmakers would spot them from a mile off and mark down the prices of the shares in Keplit's portfolio in anticipation.

Of course, Kleinwort may not want to destroy a fund from which it receives \$2m a year in management fees, but with vultures circling it could probably be persuaded to change its mind. Or it could offer alternatives such as converting Keplit into a unit trust, or switching investors into a more successful fund. Certainly, Kleinwort should be able to offer something better than TR, and more compelling than the miserable performance of the current portfolio.

## US and Japan agree outline for new semiconductor deal

By Our Foreign Staff

The US and Japan yesterday agreed on the framework of a new semiconductor accord that Tokyo hopes will begin as a bilateral pact and evolve into a multilateral agreement including the European Union.

Negotiators meeting in Vancouver agreed that the two countries would continue to monitor market share through their semiconductor industries.

This marked a shift from the government intervention at the centre of two previous US-Japan semiconductor pacts.

The two sides were continuing to negotiate the details of how market share data would be interpreted by the governments as an indication of market openness.

Tokyo has insisted that the US government should not have a direct role in the monitoring of the market.

However, negotiators were fearful the deal could still fall apart if some of the outstanding points were not agreed.

"It has been frustrating," said a US trade official.

"Every time we seem to be close to closing our differences, it evaporates," he added.

Officials earlier said they had made rapid progress on a two-pronged deal in which the semiconductor industry will play the central role in collecting, analysing and reporting data on Japan's \$4bn computer chip industry, leaving governments only a vague role in monitoring developments.

"If you have the data, you know how the market is functioning," one US trade official said. It will be easier to determine whether a drop in foreign sales in Japan is due to anti-competitive practices or other forces and also help the industry keep an eye on potential dumping in the face of falling prices.

A 1991 semiconductor agreement that called for collecting similar information and quarterly reports on foreign makers' share of Japan's semiconductor market expired on Wednesday.

US president Bill Clinton and

Japanese prime minister Ryutaro Hashimoto agreed last month to settle the dispute over computer chips and another one over insurance trade by July 31. With the prestige of their leaders at stake, negotiators were making an all-out push for a deal even though they were unable to meet that deadline.

A pact would be another pre-election trophy for Mr Clinton. Just as the US-Japan agreement on the car industry was designed for Detroit, an important area electorally, an extension of the semiconductor agreement is aimed at Silicon Valley in California, the most populous state.

It has not been easy for US trade officials to justify demands for a new pact when the old one brought them more than 30 per cent of the Japanese market. The initial target was 20 per cent. "It would be a remarkable act of bad faith if things went back to the way they were," a US official said.

Europe seeks role in chip pact, Page 6

## Boeing to buy part of Rockwell for \$3bn

Continued from Page 1

chairman, said that defence would balance Boeing's commercial aircraft business, since the two industries tended to move on different cycles.

Rockwell will emerge from the disposal with the financial flexibility to mount a big acquisition

of its own. The company will be virtually debt-free, and its strong cashflow - despite a \$1bn share buy-back programme announced yesterday - will enable it to make "complementary acquisitions", said Mr Donald Beall, chairman.

Rockwell, which grew through a number of acquisitions of its

own to become a broad-ranging conglomerate, has set its sights in recent years on factory automation and electronics. Rockwell is thought to have considered a sale of its car parts business - the original core of the company when it was formed in 1919 - to focus on these faster-growing markets.

### FT WEATHER GUIDE

**Europe today**  
The British Isles will be mostly cloudy with some light rain. Western Europe will be mainly dry and less gloomy with occasional sunshine. A cold front will stretch from the Baltic states, across the Alps and into northern Spain, bringing rain with some thunder. Scandinavia will be mostly cloudy with showers. High pressure will bring mainly sunny and warm conditions to southern and eastern Europe, but isolated showers are possible. There will be very high temperatures in Spain and in the Balkans.

**Five-day forecast**  
Heavy thunderstorms will develop over eastern Europe as a cold front meets a warm air mass. Western Europe will have more sunshine with higher temperatures as an area of high pressure moves across the British Channel towards the Baltic Sea. Southern Scandinavia will become dry with sunny periods later on. An intense low will form near Iceland after the weekend and its fronts will bring rainy periods to the British Isles.

Station at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Mouammar		Salfing		fair		31		Caracas		shower		31		Faro		fair		29		Madrid		sun		35		Bangkok		cloudy		29																																			
Abu Dhabi	sun	41	Salgrade	fair	30	Casablanca	fair	28	Cairo	fair	28	Chicago	fair	27	Geneva	shower	18	Frankfurt	shower	28	Harbin	shower	28	Helsinki	shower	14	Hong Kong	shower	22	London	shower	18	Manila	shower	28	Moscow	shower	22	Mumbai	shower	28	Nairobi	shower	28	Paris	shower	28	Rangoon	shower	28	Seoul	shower	28	Singapore	shower	28	Taipei	shower	28	Tokyo	shower	28	Yokohama	shower	28

**TODAY'S TEMPERATURES**

City	Temp	City	Temp	City	Temp	City	Temp
Abu Dhabi	41	London	18	London	18	London	18
Accra	31	Los Angeles	24	London	18	London	18
Algiers	27	Las Palmas	28	London	18	London	18
Amsterdam	20	Lima	18	London	18	London	18
Athens	32	Lisbon	30	London	18	London	18
Atlanta	32	London	18	London	18	London	18
B. Aires	21	London	18	London	18	London	18
Baham	24	London	18	London	18	London	18
Bangkok	28	London	18	London	18	London	18
Barcelona	28	London	18	London	18	London	18

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RECRUITMENT

Demand for western skills is growing as expatriate companies put down roots in Russia, says John Thornhill

Opportunities blossom in the Wild East

Not long ago young foreigners with a sense of adventure and a knowledge of Russian could find a challenging and well-paid job in Moscow with a degree of responsibility undreamed of back home.

In the early 1980s, it seemed, only the brave, committed, or foolhardy ventured to the "Wild East", throwing up great opportunities for those who made the trip.

Many western companies viewed Russia, like 19th-century America, as the rugged frontier of capitalism, a dangerous, seemingly lawless land but with unbounded longer-term possibilities.

To explore the Russian market without committing much capital, they opened representative offices giving jobs to young - and comparatively cheap - linguists with limited commercial skills.

But parts of the Russian economy, particularly the underdeveloped services and consumer products sector, have been growing at an astonishing pace. Many of these entrepreneurs have gone on to head businesses which have blossomed into \$50m turnover companies.

As the market has matured

and the economy has stabilised, many multinational companies such as ABB, Tetra Laval, Mars, Nestlé, Philip Morris, and Cadbury Schweppes have started putting down deeper roots in Russia and opened manufacturing plants.

Their demand is now for more experienced western managers with specific financial, marketing and restructuring skills. Knowledge of the Russian language or culture is often a secondary concern.

"Along with the heavy investments come the heavy people," says one management consultant who advises a range of western companies.

A survey of 35 businesses active in Russia conducted by Korn/Ferry International, the recruitment consultancy, found expatriate executives retained a big role in the management market in spite of attempts by companies to "Russify" their operations.

A new generation of talented and energetic Russian managers may have emerged since

In the collective image of the western media, Russia appears to resemble a drunk - out of control, short of cash, and lurching from one ill-mannered confrontation to another.

Economic hardship, resurgent communism, the conflict in breakaway Chechnya, and a brutal wave of contract killings dominate most newspaper headlines and television news

bulletins about the country. But such attention-grabbing incidents fail to reflect the many quieter social and economic developments rapidly turning Russia into a more "normal country" in which to live and work.

One of the best ways of appreciating how much the country has changed is to read the travel tips in old guidebooks about the former Soviet Union

and contrast them with present-day realities. For a start, visitors to Moscow no longer need to bring their own provisions. The queues, which were a seemingly permanent feature of Russian life in Soviet times, have disappeared. Most goods are now available - at a price. It is no longer necessary to bring jeans, pens, or cigarettes to carry favour with Russian

officials. Moscow's wealthy elite, clad in their finest designer clothes and sipping at \$300-a-head restaurants, now sneer at foreigners as the *nouveau passars*.

Foreigners are free to travel almost anywhere in Russia. Some aspects of Russian life, though, remain immutable. A high tolerance for vodka is still a considerable business asset.

Excitement of working in such a dynamic country once they know what it is like on the ground.

"People quickly realise it is a bloody interesting market," says Mr Holmes. "They may be worried about personal security but I certainly feel safer walking around these streets than parts of London."

Yet working in Russia is certainly not for the faint-hearted. In some respects, Moscow does resemble a third world capital with poor infrastructure and corrupt and obstreperous petty

officials. Moscow's Sheremetyevo airport remains a byword for frustration. Telephones still work only sporadically, travel outside the big cities can be decidedly uncomfortable, and an arbitrary ruling by the tax police can spell the difference between a company's success or failure.

Undoubtedly, crime does impinge on some businesses and a handful of previously immune western companies have been targeted by criminal organisations or defrauded by business partners.

"You achieve 80 per cent by putting in 120 per cent in this market," says Mr Holmes. Encouragingly, however, there is pressure for improvements in working and living conditions coming from both local and foreign companies.

There are perhaps now more than 50,000 expatriates in Moscow, a rich enough pool of customers to encourage the opening of new restaurants and supermarkets. More impor-

tantly, a wealthy stratum of extremely wealthy Russians has emerged, also demanding better goods and services. Russia also boasts many compensating virtues and there is an astonishing level of sophistication about many areas of life. Russia, with an extremely rich national culture, is certainly the only emerging market with an orbiting space station and a 99 per cent adult literacy rate. "I visited a town of 80,000 people the other day and 1,000 of them had PhDs," says a western fund manager. "Where else in the world can you find that?"

Some foreigners are so attracted by the opportunities in Russia that they are even joining local companies believing they offer more exciting job prospects - and better pay. Miss Danielle Downing, a 21-year-old business graduate from Warton business school, came to Russia in 1990 to help set up the Moscow Community Exchange. She now heads the research and sales department at Alliance-Menatop, a Russian investment bank.

"This is the most dynamic emerging market in history," she says. "Combining western management practice and Russian entrepreneurialism certainly makes an exciting mix."



EUROPEAN MONETARY INSTITUTE

Vacancies in the Information and Communications Systems Department

The European Monetary Institute (EMI) was established on 1st January 1994 with its seat in Frankfurt am Main. The EMI's function is to strengthen the co-operation between its members, the central banks of the European Union, and to prepare for the establishment of a future European Central Bank (ECB). The EMI currently employs approximately 200 staff members and has its own terms and conditions of employment, including a competitive salary structure, pension plan, health insurance and relocation benefits. The positions will be on a fixed-term contract basis and candidates must be a national of a Member State of the European Union.

With regard to the construction of a large-value payment system within the European Union, the EMI is looking urgently to fill the following positions:

The System Administrator will be responsible for technical and operational support for the future Microsoft Windows-based operating systems to be installed at the EMI, i.e. NT/95 workstations and an NT server. He/she will be part of a team developing future systems and applications. A good knowledge of all Microsoft products (especially Windows NT) is essential. UNIX, Novell networks and programming skills would be an advantage.

The Database Administrator will be responsible for the setting-up and administration of the RDBMS, database design, development tools, performance tuning and troubleshooting. He/she should have a good knowledge of at least one major relational database (ORACLE, SYBASE, INFORMIX, etc.) and will be part of a team developing future systems and applications. A good knowledge of UNIX, current PC technology and Client/Server architecture would be an advantage.

The two Programmers/Analysts will be responsible for planning, developing, testing and documenting a LAN-based client/server payment system application for the future ECB and a test interface to an EU wide large-value payment system. Candidates should have a good knowledge of Windows-based development using advanced RDBMS techniques through stored procedures, triggers and dynamic SQL. These two positions require skills and related experience in 4GL tools such as Powerbuilder, Visual Basic, SQL Windows, Developer 2000, etc., as well as 3GL tools, for instance C++ or C. A good knowledge of a major relational database (ORACLE, SYBASE, INFORMIX, etc.), PC technology and Client/Server architecture would be an advantage.

Qualifications

- University degree or comparable qualification.
Strong interpersonal skills, self motivation, and the ability to work in a team are very important.
Very good command of English and proven drafting ability in English. Knowledge of other European Union languages is desirable.

Applications should include a Curriculum Vitae and a recent photograph together with references confirming the required experience and skills. They should be addressed to the European Monetary Institute, Personnel and Office Services Division, Postfach 10 20 31, D-60020 Frankfurt am Main, and should reach us no later than 15th August 1996.

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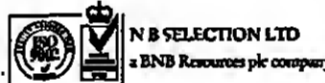
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A knowledge of the Russian marketplace and the ability to speak the language would be advantageous but is not essential.

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This is an excellent opportunity for an ambitious and forward thinking individual to join a well respected global institution. Interested candidates should write to Sarah Lee at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Tel 0171 269 2307. Fax 0171 405 9649.

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ACI, the Financial Markets Association, is the global trade association for foreign exchanges, money market and other financial product dealers. Founded in 1955 there are now over 26,000 members in more than 50 countries. The Association has ambitious plans to enhance its services to members and its key representative role to the business community, authorities, media and the financial services industry. ACI now seeks an experienced project manager to lead the implementation of the overall business plan.

You will be a well educated, experienced and confident professional accustomed to planning and leading strategic projects. With a background in change management gained in a blue chip service industry environment you will ideally have a good working knowledge of the financial markets, preferably gained as a market professional, regulator or consultant. Previous involvement with a membership organisation would be useful. Fluency in English is essential and one or more other languages will be a distinct advantage.

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The base location of the appointment is not critical and is for discussion, as is the remuneration package. The appointment will be for two years in the first instance.

Please reply to E Torrance Smith, as advisor to the ACI, of Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, quoting reference TS1196/1 on both envelope and letter. All applications will be discussed with our client.

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If you would like further information about these positions, please call Karl Bergqvist, Head of Credit Rating on 0171 334 1976.

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knowledge and confidence to establish your own client contacts and take on relationship-building responsibilities.

To succeed, you must have a good degree and either have or be adaptable to acquiring high level Lotus 1-2-3/Excel spreadsheet skills. For those with previous investment banking experience, you should have a knowledge of structured finance, cashflow and business marketing, and be familiar with computer modelling techniques. European language skills would be useful.

These challenging roles demand a high level of dedication and you will need to be totally committed to team performance and personal success. In return the rewards, will be substantial - with competitive packages linked to ability and experience, plus every opportunity for rapid career progression within this highly specialised area of our business.

To apply, please write with your CV, quoting ref: 484, to: Alastair Lyon, Response Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH. Closing date: 14th August 1996.

NATWEST MARKETS

## CJA RECRUITMENT CONSULTANTS GROUP

2 London Wall Buildings, London Wall, London EC2M 4PP  
Tel: 0171-593 3588 or 0171-593 3576  
Fax No. 0171-256 9501

### EQUITY DERIVATIVES SALES

CITY COMPETITIVE SALARY AND BENEFITS

LEADING INTERNATIONAL FRENCH OWNED STOCKBROKING FIRM  
We invite applications from graduates who should have extensive working knowledge of the US and LATAM equities markets and of mathematics, as well as advanced computer literacy, also some programming capability will be an advantage. Your experience must include 4-5 years in a sales or a fund management environment and you should be familiar with OTC derivatives, structured products, covered warrants as well as listed products. As a key member of the Equity Derivatives worldwide team you will be responsible for US, LATAM and Australian underlyings, including setting up and covering a continental European, UK and Australian institutional customer base. A competitive salary and benefits package is negotiable. Please send your CV in strict confidence, with a covering letter explaining why you are suitable for this position, and listing any companies to which your CV should not be sent, under reference EDS/5655/FT to the Security Manager, CJA.

### APPOINTMENTS WANTED

#### New Graduate

Keen young man (24) just graduated in Business Studies BA (Hons) fluent French and German, numerate, computer literate, mental arithmetic skills, family background in investment and finance, personable, well turned out, seeks career opportunity in stockbroking/corporate finance /derivatives/investment management. No agencies please.  
Telephone (44) 01273 890441

### Top Sales Persons Required

Due to our recent involvement in China, we are looking for the sales persons in the following fields, Chemicals, Healthfoods, Metals, and Computers. Applicants must specialise in one of the above fields, with at least five years sales experience. Good salary, excellent commission and company car. Apply to Mr G. O'Lehan, HTC, Unit 1.1, Wembley Commercial Centre, East Lane, Wembley, Middx HA9 7UW, Tel 0181 385 0462, Fax 0181 385 0463

### INVESTMENT STRATEGIST REQUIRED

by South East Asian Retail Brokerage

Familiarity with Asian Stock Markets and Global Fixed Income Markets essential.  
Extensive opportunity to travel. Competitive salary based on experience. Relocation costs will be met.  
Please fax response to  
Kathleen Leslie & Associates on: 01982 553129

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## UK Institutional Dealing Manager and Equity Sales Traders

### Highly competitive remuneration package

We represent one of the leading securities brokers with offices in the key financial centres of Europe, Asia and North America who are looking to take on three individuals to strengthen their London office.

All candidates must be educated to a high standard and be fully computer literate. They will be highly motivated self-starters with a lively personality and with established relationships with major UK and European institutional clients. The ability to communicate orally and in writing at all levels is essential and language skills would be favourably received.

#### Senior UK Institutional Dealing Manager

- reporting to the Dealing Director.
- managing team of up to twenty people responsible for growing revenues from an established and growing list of institutional clients.
- responsible for maintaining client relationships at a senior level.
- identify and introduce new clients to the company.
- minimum of five years experience in global equity markets, dealing with UK and continental European institutional clients.
- managerial experience essential.

#### European and US Equity Sales Traders

- working as part of a small team of four people.
- responsible for helping to grow revenues from existing and new institutional clients based in the UK and throughout continental Europe.
- use traditional sales/trading methods to form, maintain and grow a relationship with these clients.
- minimum of two years experience in the European/US equity markets, dealing with UK and continental European institutional clients in European/US OTC, Listed and ADR markets.

For a confidential discussion please contact Kate Dereham or Edward Hunter Blair, Telephone: 0171-236 2400, Fax: 0171-236 0316 or apply in writing to: Sheffield-Haworth Ltd, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

**SHEFFIELD-HAWORTH**  
Consultants in Search and Selection

### World Meteorological Organisation

#### WANTED: CHIEF, FINANCE AND BUDGET DIVISION

The World Meteorological Organisation, a specialised agency of the United Nations common system with Headquarters in Geneva, seeks qualified male or female candidates for the position of Chief, Finance and Budget Division.

We require recognised academic and/or professional accounting qualifications and 15 years of progressively responsible work experience leading to a similar position, preferably acquired in an international organisation, with a good mix of budgeting, financial management and practical accounting; in-depth knowledge of EDP applications; demonstrated ability to express himself/herself clearly and convincingly, both orally and in writing; excellent knowledge of English or French and a very good knowledge of the other language.

We offer competitive international salaries, with a minimum annual net salary plus post adjustment of US\$102,772 (single rate) or US\$110,814 (dependency rate), and an attractive package of allowances and benefits as applicable to the U.N. common system.

Last day for receipt of applications: 30 September 1996. The detailed vacancy announcement may be obtained from the Paraofficial Division, World Meteorological Organisation, P.O. Box 2300, 1211 Geneva 2, Switzerland, quoting "Vacancy Notice No. 1391 REV". A self-addressed envelope (22.8 x 16.2cm or 9" x 6.35") should be enclosed with each request. Applications must be made on WMO Personal History Forms which will be sent with the vacancy notice.

### Bank of Ireland Asset Management

SINCE ITS FOUNDATION IN 1966, BANK OF IRELAND ASSET MANAGEMENT (BIAM) HAS GROWN A GLOBAL BUSINESS WITH A PROVEN TRACK RECORD OF OUTSTANDING LONG TERM INVESTMENT PERFORMANCE. FUNDS UNDER MANAGEMENT WORLD-WIDE ARE APPROXIMATELY £10BN. BIAM MANAGES GLOBAL SECURITIES FOR A BROAD RANGE OF CLIENTS IN IRELAND, THE US, CANADA, THE UK, GERMANY, AUSTRALIA AND SOUTH AFRICA.

## Administration Manager

Due to the continuous growth of our business, an exciting opportunity has arisen to join our London-based team.

This key role involves the management of a team who provide the administrative function of the London office. Team responsibilities include Portfolio Administration, Sales Support, and Regulation and Compliance.

Reporting to the Managing Director, the successful candidate will co-ordinate and manage the team's activities ensuring their efficiency, accuracy and timeliness. In addition, the role will involve ongoing projects such as I.T. enhancements and client service requirements.

Candidates, ideally in the 28-35 age group, will have a minimum of 5 years experience in client servicing and administration within the fund management industry. They will be ambitious, highly energetic and will be versatile in the use of personal computers. Experience of project management will be a decided advantage.

An excellent salary and benefits package, which is performance driven, will be offered to the successful candidate.

Please write, enclosing a detailed curriculum vitae, to:

Ann Ringrose  
Personnel Manager  
Bank of Ireland Asset Management (UK) Limited  
36 Queen Street  
London EC4R 1BN

Closing date for receipt of applications: 14th August 1996  
BIAM IS AN EQUAL OPPORTUNITIES EMPLOYER

Bank of Ireland Group

The Julius Bär Group recently opened a sales desk for German equities in New York. To build up this DEM equity sales desk we are looking for a highly motivated and aggressive

### Senior DEM Equity Sales Person Junior DEM Equity Sales Person

with several years sales experience in DEM equities, as well as a Junior DEM Equity Sales Person with 1-2 years sales experience. Interested candidates should have an established account base and analytical capabilities coupled with research skills. A good team spirit is required. Spoken German would be an asset.

We can offer interaction with a highly motivated staff, a competitive compensation package, and an attractive as well as challenging job in midtown New York.

Please send your resume to: Bank Julius Bär (Deutschland) AG, Attn. Human Resources, P.O. Box 15 01 52, 60061 Frankfurt am Main. For further details please contact our Human Resources Dept. in Frankfurt at Tel.: +69-75696-115 or -150. All correspondence will be treated in the strictest confidence.

JB-B

BANK JULIUS BÄR  
(DEUTSCHLAND) AG

## FUND MANAGER

### PRIVATE CLIENT PORTFOLIOS

Rothschild Asset Management Limited manages funds for UK and international clients, both private and institutional, and is part of a global network within the Rothschild Group. Continued growth has resulted in the need to recruit an experienced Private Client Fund Manager.

Working as part of a small successful team the role will involve managing a designated group of private client portfolios and new business development initiatives.

Liaising directly with high net worth clients, this is an opportunity for a high calibre individual with at least five years solid experience in a discretionary private client fund management environment. Applicants are likely to be graduates, deemed to be IMRO threshold competent and, ideally, members of the IIMR; the successful candidate must also possess excellent communication and analytical skills together with a good knowledge and understanding of the investment markets.

The position carries a first-class compensation package with the usual benefits; success in this high-profile role will lead to good prospects for future career advancement within the Rothschild Group.

Please send your full curriculum vitae (including details of current remuneration) in the strictest confidence to Sara Morris, Personnel Manager, Rothschild Asset Management Limited, Five Arrows House, St. Swinburn Lane, London EC4N 8NR.

### Consulting Professionals

Barents Group is a growing consulting firm that provides corporate finance, financial sector and economic policy related services in emerging markets. The company operates through a network of over 20 offices worldwide. Barents has several immediate openings with highly competitive remuneration packages for experienced professionals based in London, Central Europe and the CIS.

#### SENIOR ASSOCIATE/MANAGER - London-Based (Reference Code: SAM)

Position will be responsible for the management of proposals to institutions of the European Union, EBRD and other European multilateral and development agencies; managing Barents Group towards potential commercial and institutional clients and partners across Europe; identifying and coordinating new project development; and executing consulting assignments.

Successful candidates will possess extensive experience in consulting/finance in emerging markets in Central and Eastern Europe, and a background working with European development institutions and multilateral agencies. The ability to adapt quickly in a fast changing market environment is essential. Knowledge of major European languages is a definite advantage.

#### RESEARCH ASSOCIATE/ASSOCIATE - London-Based (Reference Code: RAA)

Individual will support proposal writing processes, production of presentations, reports and the ability to work on European Union financial projects and assignments; and develop corporate literature and marketing material.

Successful candidates will have excellent writing and communication skills, the ability to take personal responsibility for product development and a willingness to work in demanding, fast-paced and changing business environments. Experience in consulting/marketing, as well as knowledge of major European languages are definite pluses.

#### SENIOR ASSOCIATES/MANAGERS/DIRECTOR - CEE-CIS-UK-Based (Reference Code: SAMD)

Due to the rapid development of Barents Group's worldwide operations and the continued expansion of its network of local offices, the company is now seeking to hire select individuals and expand its consultant base to continue the company's growth into the future.

We are seeking to staff permanent positions and short-term consulting assignments in Barents Group's worldwide offices in Central/Eastern Europe, CIS, Latin America, Southeast Asia. Responsibilities will include execution of consulting and finance projects within the scope of the 5 practices of Barents Group:

- Merchant Banking and Corporate Services Practice
- Policy Economics Practice, Health Economics Practice
- Financial Sector Services Practice
- Information Technology Practice

Relevant finance/consulting/industrial experience within Barents primary sector of operation is essential. Fluency in additional EU or Eastern/Central European languages and the ability to work on European Union financial projects are advantages. For more information or to apply, please email or fax CVs and a cover letter indicating appropriate Reference Code to: Barents Group (Europe), Human Resources Department, Reference Code: 19-25 April Street, London W1V 1AA, United Kingdom. Fax: +44 171 333 1451.

**BARENTS**  
GROUP - LLC

### The Federation for projects connected to the International HUMANA People to People movement seeks:

- Child Aid program managers
- Vocational school headmasters
- 2nd managers buildings projects
- Headmaster Street Kid Schools and others.

The activities are in the rural areas in Zimbabwe, Angola, Zambia and Mozambique. Responsibilities: economy, planning, expansion and daily running of the activity. The applicant must have experience from similar work and experience from work in Africa is an advantage.

Application with full CV must be sent to: Headquarters c/o DAPP P.O. Box 4657, Harare, Zimbabwe

### Business Guru for Software Co.

Explosively energetic business person (with mgt/acc quals) sought for oew software Co. (as shareholder) to join R&D team in creating revolutionary business software (for world-wide market)

J Friedman  
01582 696911

### RISK MANAGEMENT ADVISER, CHINA

A leading international investment bank requires a Risk Management Adviser to join their global team of advisers in London, with particular responsibility for China.

The Adviser will advise clients on (a) foreign exchange and interest risks, in particular, those associated with inward and outward investment in China; and (b) dealings generally with Chinese enterprises.

- The successful candidate must have:
- an excellent academic background in a financial discipline to business school or doctorate level
  - at least 2 years' relevant experience in a sophisticated derivatives environment
  - highly developed analytical/quantitative computer skills
  - fluency in Chinese Mandarin and English
  - cultural knowledge of China and its business environment

Salary: £30,800 plus bonus  
Written applications to: Box A5651, Financial Times, One Southwark Bridge, London SE1 9HL.

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By placing your recruitment advertisement in the Financial Times you are reaching the world's business community.

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Finance

**CHARTERED ACCOUNTANT**

**INTERNATIONAL MONETARY FUND** is seeking a professional accountant for its headquarters in Washington DC, [USA] to be responsible for:

- the financial accounting
- the control of transactions & operations
- the conduct of financial analysis over a wide field of our financial operations & policies

The selected candidate will work as a member of a team and report to the Assistant Treasurer of the Fund, responsible for financial accounting and reporting.

**Minimum requirements:** A postgraduate degree and professional accounting certification, together with 3-5 years of relevant work experience (in a public accounting firm and/or in a bank or financial environment). The successful candidate must have strong analytical abilities, experience in financial reporting and proven writing skills in English.

An appointment will initially be for 3 years, with further career possibilities based on performance and potential.

How to apply: Curriculum vitae should be submitted BEFORE JULY 26, 1996 with reference to this position, to:

**INTERNATIONAL MONETARY FUND**  
Recruitment Division, Room IS9-100  
700 19th Street, NW  
Washington, DC 20431 [USA]  
Telefax: (202) 623-7333  
Internet: recrnt@imf.org

**EQUITY ANALYSTS**

Analysts with at least two years' experience in broking or fund management who are looking for exciting new challenges with a leading (listed) broker in a dynamic, fast-growing economy should fax a full CV as below. We will be interviewing in London in September, or in Bangkok at any time.

Head of Research  
Krungthai Thanakit  
+66 2 661 6421

**GRADUATES**  
For the City

Applications invited from exceptional recent or experienced graduates for 5 positions in accelerated career programme with private firm. Contact:  
**ROB ADAMS**  
0171 240 4943

**CREATIVE DIRECTOR - POLISH AGENCY**  
Mid-size independent agency in Warsaw seeks experienced art director or copywriter to serve as Creative Director on major brewery account. Top pay and generous fringe benefit package. Ability to speak Polish helpful, although not essential. Fax C.V. to (48) 22-6510305 or mail to ESC, ul. Berdycka 22a, 00-716 Warszawa, Poland. All enquiries strictly confidential.

**GERMAN MARKETING SERVICES MANAGER OFFSHORE FUNDS**

City based

£ competitive

Mercury Asset Management, Britain's leading Independent Investment house, offers a comprehensive range of offshore funds for institutional investors and independent financial advisers. We are seeking to appoint a manager to take overall responsibility for the German language marketing support of Mercury Selected Trust, a US\$1.4bn Luxembourg-based umbrella fund. It is envisaged that the successful candidate will eventually provide the first point of contact in London for senior marketing personnel based in Germany and Switzerland.

Key elements of the role will be:

- Management of German-language promotional initiatives, including advertising
- Creation of regular newsletters, product brochures, investment communications
- Responsibility for client service developments, including computer development and internet pages
- Depending upon strengths and experience, potential responsibility for: institutional sales presentations, product development, market research

The ideal candidate will:

- Be a German native speaker or have fluent German. French would be an advantage but is not essential
- Have relevant experience either in investment or marketing services and demonstrate an interest in economic/investment issues
- Have proven creative, accurate writing skills as well as excellent interpersonal skills. The ability to work under pressure and to be a self starter is essential
- Be adaptable, enthusiastic and keen to work in a changing environment

Please send your curriculum vitae with a hand written covering letter to Elizabeth Williamson, Shepherd Little & Associates Ltd., Cleary Court, 21/23 St Swithin's Lane, London EC4N 8AD. Telephone: 0171 626 1161 Fax: 0171 626 9400

All replies will be treated in the strictest confidence. Mercury Asset Management plc is registered by BMO



INVESTOR IN PEOPLE

BRITAIN'S LEADING INVESTMENT HOUSE

**ACCOUNTANCY APPOINTMENTS**

**DIRECTOR OF TECHNICAL DEVELOPMENT & PROMOTION**

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

LONDON

NEGOTIABLE SIX FIGURE PACKAGE

- The Institute wants to strengthen its contribution to the long-term value of accountancy, in order to underpin the future success of its members.
- Following the retirement of the incumbent Technical Director, a new position is being created: Director of Technical Development and Promotion. The appointee will report to the Secretary and Chief Executive and head teams totalling 30 people.
- Primary challenges will be to implement the Institute's strategy for technical excellence; position the Institute as the leading source of authority and intellectual innovation in the main branches of accountancy; ensure that activity is directed towards maintaining the relevance and excellence of the profession in support of members and that results are promoted effectively to the appropriate audiences; and take a leading role in representing the Institute externally.

- FCA, probably aged 40-55, candidates will have held a leadership role within a professional, client focused organisation, not necessarily a firm of Chartered Accountants, and will bring an established reputation for the promotion and development of service excellence. While candidates must be technically strong, it is not essential that they currently hold a specialist technical position.
- Important personal qualities include first-class leadership and organisation skills, the ability to inspire and motivate, a high level of drive and enthusiasm, well-developed communication skills and a distinct customer service orientation. A record of successful handling of the media and public speaking will be essential.
- This is a high profile role with a clear development emphasis, offering scope to make a visible personal contribution.

Please apply in writing quoting reference 1198 with full career and salary details to:  
Nigel Bates  
Whitehead Selection Limited  
11 Hill Street, London W1X 8BB  
Tel: 0171 290 2043  
http://www.gbact.co.uk/whitehead



**FINANCIAL DIRECTOR**

Midlands

**The Company**

Our client is a dynamic and expanding business that forms part of a highly successful group of companies. Operating within an aggressive and fast moving market place, where customer service and price competitiveness are imperative, the company continues to exceed ambitious business targets. Medium term objectives are for a stock market flotation and future global status.

**The Role**

- Responsible for all aspects of company finance at both operational and strategic levels. Reporting directly to the Managing Director.
- Proactive contribution to the achievement of corporate objectives in the development of both, turnover and profit through continual improved efficiencies and the organised growth of the business.
- Ensure that all key operational and strategic decisions are financially and commercially driven, thus contributing to principal corporate objectives.
- Promotion of financial and commercial awareness across all disciplines and at all levels, ensuring that a 'customer-led' focus is predominant throughout the business.

**The Appointee**

- The successful appointee will undoubtedly be a high achiever with excellent strategic and operationally based finance skills, coupled with first class business acumen. This will be evident from a demonstrative track record to date, gained within competitive and customer-led environments.
- Able to initiate, develop and implement own ideas with an emphasis upon efficiency, effectiveness and commercial viability.
- Must possess professional credibility in order to succeed in all aspects of professional communication, both to internal and external markets.
- Will have the ability to initiate rapid growth and change

**Hays Executive**  
STRATEGIC SEARCH & SELECTION

To apply please write enclosing your cv and current salary details together with a covering letter detailing your relevance to this role to Allan O'Neill at Hays Executive, 188-190 Spon Street, Coventry, CV1 3BB. Fax: 01203 630962.

**GROUP FINANCIAL CONTROLLER**

CHANGE ROLE FOR COMMERCIAL ACCOUNTANT

MIDLANDS

c. £70,000 + BONUS + BENEFITS

- Recent restructuring of this £900 million turnover diversified international group has resulted in a more focused portfolio of businesses which are to form the basis for ambitious expansion plans. Last two years have seen significant turnover and profits growth, with the elimination of loss making businesses and a renewed emphasis on operating margins.
- High profile role working closely with the Group Finance Director and a key member of the small senior management team that determines the shape and direction of the business.
- Strong change management focus covering review of existing corporate structure, management reporting, financial controls and systems implementation, in addition to responsibility for statutory reporting, policies and procedures, budgeting etc.

- Probably in your early-mid thirties, with a good degree and accountancy qualification. Experience will ideally include a 'Big Six' firm and exposure to a manufacturing environment - although this is not a prerequisite.
- Currently working at a senior level within the profession or in industry, must be able to demonstrate a good track record of career progression and a broad commercial outlook, as well as strong technical accounting skills and a high degree of computer literacy.
- Personal qualities should include an outgoing nature and strong communication skills. Resilient and good under pressure, with the drive and ambition to progress to a more senior level within the Group.

Please apply in writing quoting reference 1195 with full career and salary details to:  
Susan Ryde  
Whitehead Selection Limited  
11 Hill Street, London W1X 8BB  
Tel: 0171 290 2043  
http://www.gbact.co.uk/whitehead



**DIRECTOR OF FINANCE**

INTERNATIONAL CLIENT SERVICE ORGANISATION

LONDON

c. £55,000 + BONUS + BENEFITS

- Established over 200 years ago, this professional organisation has grown to 50 offices world-wide with longer term plans for wholly-owned offices in every major business centre.
- In line with the ambitious development plans, the organisation needs a high calibre Director of Finance who will both raise the quality of management information and assist with strategic development.
- The Director of Finance will work closely with the Chief Executive and provide high level support to the full management team.

- A qualified accountant, probably aged mid-30s, whose personal qualities allow him/her to function effectively in a highly decentralised environment made up of international offices from six to 110 people across a variety of national cultures.
- He/she will be a 'hands on' financial manager capable of achieving excellence by coaching and persuading rather than simply by dictating, and must therefore have particularly strong people skills.
- Subject to performance, the successful candidate can expect to be offered a seat on the board after a reasonable period.

Please apply in writing quoting reference 1197 with full career and salary details to:  
Nigel Bates  
Whitehead Selection Limited  
11 Hill Street, London W1X 8BB  
Tel: 0171 290 2043  
http://www.gbact.co.uk/whitehead



**Hardy Oil & Gas plc**

Excellent package

London

**Group Treasurer**

Hardy Oil & Gas is one of the UK's leading independent exploration and production companies with a market capitalisation of more than £280 million and operations on three continents. The last year has seen a significant reshaping of its asset portfolio and balance sheet. A Treasurer is now sought to join the focused and dynamic new management team that is revitalising and growing this international oil and gas Group.

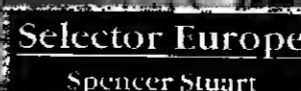
**THE ROLE**

- Working closely with the Group Finance Director as an integral part of a small head office team. Responsible for building a proactive treasury function capable of supporting a full range of corporate development activities.
- Take the lead in funding a series of substantial capital projects and in all major re-financings.
- Key communications role with principal banks and institutions. Specific responsibility for debt funding, foreign exchange, cash management and insurance.

**THE QUALIFICATIONS**

- Ambitious, bright graduate MCT with public debt market experience ideally gained in an international group with a significant capital investment programme.
- Innovative but pragmatic with the confidence and communication skills to build close and productive relationships with a broad range of commercial banks. Sound understanding of debt financing.
- Energetic and enthusiastic with the ability to respond quickly often under considerable pressure. Committed hands-on style. Attracted by the opportunity to work in a high quality, meritocratic team environment.

Leeds 0113 2507774  
London 0171 493 1238  
Manchester 0161 499 1700



Please reply with full details to:  
Selector Europe, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 32nd, 33rd, 34th, 35th, 36th, 37th, 38th, 39th, 40th, 41st, 42nd, 43rd, 44th, 45th, 46th, 47th, 48th, 49th, 50th, 51st, 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st, 62nd, 63rd, 64th, 65th, 66th, 67th, 68th, 69th, 70th, 71st, 72nd, 73rd, 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th, 88th, 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th, 97th, 98th, 99th, 100th

With 48 commercial investors who have already committed in excess of US\$1.5 billion, our client is a pioneering global telecommunications enterprise. Their vision is to introduce one affordable, portable personal communication facility worldwide. The company has already invested heavily to make their goal a reality. They now require a senior treasury professional to play a leading role in future funding initiatives.

**The Position**

- Report to the CFO and lead the development of a strategic and operational treasury function.
- Instigate further financing initiatives for the group involving complex structured transactions.
- Interface regularly with commercial investors and the banking community as part of the capital raising process.
- Conduct day-to-day treasury operations including cash management and projections, currency and interest rate exposures.
- Provide broader financial and strategic input into the development of this pioneering venture.

**The Requirements**

- Graduate ACT, ACA desirable, with significant international treasury experience with aspirations for a broader senior management role in the medium term.
- Proven track record of negotiating complex structured finance transactions.
- Energetic, self-motivated individual with a 'hands on' pragmatic approach to work.
- Ability to create an immediate personal impact through first class presentation and interpersonal skills, the successful candidate will demonstrate a strong problem-solving and enquiring mind.
- International in orientation, preferably with a second language.

Relocation assistance available.

Please send your CV with current salary details to: Fiona Jobson, K/F Associates, 252 Regent Street, London W1R 6HL

quoting ref: 90081/A. Alternatively send by fax on 0171 312 0020 or e-mail to cv@kfaeurope.com

Internet Home Page: <http://www.kfaeurope.com/kfaeurope/>

**K/F ASSOCIATES**

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**CHIEF INFORMATION OFFICER (CIO)**

A leading Commercial Bank in the Sultanate of Oman requires a Chief Information Officer.

**FUNCTIONS**

Responsible for all Information Technology (IT) related functions in the Bank including:

Computer Department, O&M Department, MIS, Business Process Reengineering, End user Training

The position is a senior management position, reflecting the core competence of the IT function in the Bank. The CIO should provide vision and leadership of the IT function as the key enabler of the bank's business and its future direction, as well as contribute in the development and delivery of the products and services offered.

**PROFILE**

The CIO should be an expert in at least one of the following three areas, with good exposure in the other two: Banking, Information Technology, Strategic Planning and Change Agent. He should currently be holding a senior managerial position.

Please apply, enclosing your CV, to:

P.O. Box 1611, Ruwi  
Postal Code 112  
Sultanate of Oman

**NETHOLD**



Nethold is a leading, international pay-television group active in more than 50 countries in Europe, Africa and the Middle East. Nethold serves more than 2.7 million premium subscribers. This industry is characterised by rapid expansion, expectations of a significant role for electronic media platforms in the future world economy, globalisation and high values for leading operators. Nethold was the first company to launch digital television in Europe and Africa and has a mission to become a worldwide market leader. An opportunity now exists for a highly motivated, creative professional with the following skills:

**Financial Controller**

Amsterdam

...media opportunity...

Excellent Salary Package

**Responsibilities and tasks:**

- In charge of reporting financials to management and shareholders on a monthly, quarterly and annual basis.
- Co-ordinating the Group consolidation of actual results, budgets and quarterly forecasts.
- Ad-hoc tasks such as participating in due diligence processes.
- Managing a small qualified team.
- Being structure to a fast moving/growing environment.
- Quickly assessing and understanding the key issues critical to the operations in all regions of the company's activities.
- Understanding and interpreting trends and issues and analysing the sensitivities and quality of the information.
- Establishing and maintaining good relationships with local controllers and management.

**Profile of the suitable candidate:**

- Preferably a qualified accountant, with five years or more working experience which may have been gained in a media or consultancy environment.
- Must be totally fluent in English or a native speaker.
- Excellent interpersonal skills and an outgoing personality.
- Must be flexible and enjoy working in a changing, dynamic environment.
- Stress resistant, with the energy, stamina and lifestyle to cope with sustained pressure and stay calm in a crisis.
- Must be interested in people and able to motivate them to give information.
- Should be an individual who enjoys continually stretching their ability.
- Possessing charisma, liveliness and a sense of fun.
- Creative and enthusiastic with an empathy for the media environment.

If you are ready for this challenging position, then send a detailed curriculum vitae to Carolina Stockdale ACA at Michael Page, Apollo House, Gerrit van der Veerstraat 9, 1077 DM Amsterdam, the Netherlands, quoting reference CS/44215. Alternatively, telephone her on 00 31 205789444.



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**The Candidate**

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The position reports to the Finance Director and is an exciting opportunity for a career minded accountant to join a dynamic and highly regarded institution.

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Candidates must be capable of managing a wide range of relationships with the legal and banking professions and partners in the corporate sector. A commercial approach is required with experience of project finance and credit, developed over two to three years ideally with a recognised lending institution or venture capital organisation.

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Applicants should either be nationals of the European Economic Area (EEA) or Commonwealth citizens who have an established right of abode and right to work in the United Kingdom.

For further details and application forms, please write to: Appointments Office, Ref. No. AE304/EA/FT, Abchurch Lane, Fenchurch Street, Essex, Colchester, Essex, CO1 1AB, quoting Ref. AE304/3 clearly on envelope or telephone 01355 843352 by 31 August 1996.

ODA is an equal opportunities employer and welcomes applications, irrespective of gender and ethnic origin.



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E-Mail: [cg@austinknight.co.uk](mailto:cg@austinknight.co.uk)  
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For further details and an application form please contact Personnel Services, Kingsway College, Grays Inn Centre Sidmouth Street, London WC1H 8JB. Telephone 0171 306 5713 (24 hour answering machine).

Closing date for receipt of applications: Friday 16 August 1996. Please quote: Job Ref. EXT 21.

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For information on Appointments Advertising please contact:

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## Finance Director

West London

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Key responsibilities will include:

- ensuring that accurate and timely management information is provided to the company's management in order to achieve their objectives;

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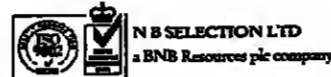
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Please send full cv, stating salary, ref FS60801, to NBS, 10 Arthur Street, London EC4R 9AY



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The successful candidate will be a graduate qualified accountant with at least 8 years post qualification experience. Knowledge of construction or engineering in a project management environment would be an advantage as would any previous exposure to the commercial negotiation of major contracts. Strong interpersonal and management skills are essential as is the ability to adopt a hands on approach.

This major international multi billion turnover organisation can offer excellent career opportunities to the successful applicant.

To discuss this outstanding opportunity further, interested applicants should contact Kacey Young on 0171 379 3333 (fax: 0171 915 8714) or write to him enclosing an up-to-date CV, stating current remuneration at Robert Walters Associates, 25 Bedford Street, London WC2E 9BP. E-mail: kacey.young@robertwalters.com.

All applications will be treated in the strictest confidence.

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Our client has various opportunities available so for an informal discussion about these exciting career challenges please contact our city consultant Lisa Russell on 0171 419 2518. Alternatively, send your CV on disc or hard copy to:

Prime Selection, Prime House, 136 Kentish Town Road, London NW1 9QB  
Fax: 0171 813 6574 or e-mail on 100451.3674@COMPUSERVE.COM

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Interested candidates should write with full CV, quoting current compensation to:

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Our client, one of the largest and most successful International Merchant and Investment Banking concerns is currently developing a number of new applications within their Treasury and Capital Markets division, and require an experienced Business Analyst to join their team.

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We are looking for candidates with a strong background in Treasury and Capital Markets and a proven track record as a Business Analyst within this field.

For further information please contact Jonathan Speers on 0171 336 7836 or fax your CV on 0171 336 7731, alternatively you can email your CV on apex@netvision.co.uk or send it to: Boundary House, 91-93 Charterhouse Street, London EC2M 6HR



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COMPANIES AND FINANCE: THE AMERICAS/ASIA-PACIFIC

NEWS DIGEST

James Hardie sees no improvement

James Hardie, the Australian building materials group, yesterday warned it would probably see no improvement in profits in the current financial year to end-March.

At the annual meeting, Mr Alan McGregor, chairman, remained upbeat about the company's fibre cement business in the US. Noting the current expansion of capacity, he said that the group expected "continued strong growth in fibre cement side with sales up 60 per cent on the past financial year".

But he warned that group profits overall would be "severely affected" by the depressed housing market in Australia. After the 30 per cent decline last year, he said that a further 10 per cent fall was expected this year.

"With home building continuing to fall, James Hardie's operating profit for the current year is not likely to improve on the result for the year to March 1996." In that period, Hardie made A\$32.2m (US\$14.9m) after tax, down from A\$74.6m in the previous 12 months.

Nikki Tai, Sydney

Brazilian brewer in ADR issue

Cervejaria Brahma, Brazil's biggest brewery, yesterday launched a Level 1 American Depositary Receipt (ADR) programme. Each ADR represents 20 of Brahma's preferential shares. The programme involves no new share issue, as Level 1 ADRs represent shares already issued in the home country.

Brahma said the issue was designed to increase liquidity in Brahma's shares by making them available to new investors.

"There are many mutual funds in the US that are prohibited from investing directly in Brazil," it said. "The programme will enable us to increase our shareholder base." The ADRs were available to investors yesterday, although the company said it was too early to judge the market's initial response.

The issuing bank in the US is the Bank of New York; custody in Brazil will be held by Banco Itaú, Brazil's second-biggest private sector bank.

Jonathan Wheatley, São Paulo

Thai oil and gas reserves up

Successful exploration programmes in the Thai-Malaysian Joint Development Area, an offshore petroleum site located in the Gulf of Thailand, have pushed up by 42.1 per cent the probable natural gas reserves held by PTTE&P, the exploration and production subsidiary of the state-owned Petroleum Authority of Thailand, and probable oil reserves by 14.5 per cent in the past six months.

The company's proven reserves remain steady at some 3,000bn cu ft of natural gas and 50.6m barrels, in spite of production of 30.4m cu ft of gas and 1.5m barrels since the beginning of the year.

Ted Bardacke, Bangkok

Coal & Allied in red at midway

Coal & Allied Industries, the Australian coal mining group which is controlled by RTZ-CRA, the Anglo-Australian resources company, announced yesterday it incurred a A\$4.6m (US\$3.6m) loss after tax in the six months ended June 30. This compared with a profit of A\$14.7m in the first half of 1995.

The company said that production for the six months was 3.9m tonnes - well down on the 4.9m tonnes seen a year ago - although sales were slightly higher at A\$75.8m against A\$20.7m. It added that any improvement in the second half would depend on an increase in production at its Hunter Valley and Mount Thorley mines.

Nikki Tai

Chinese securities house scraps planned HK buy

By Louise Lucas in Hong Kong

Shares in Shanghai International (HK), the Hong Kong listed arm of China's biggest securities company, fell further yesterday after the company said it had scrapped plans to buy Sun Hung Kai Securities, one of the territory's oldest brokerages.

Talks were temporarily broken off last week as Shenying & Wanguo, Shanghai International's indirect controlling share-

holder, sought regulatory approval from Beijing. Hong Kong brokers said the company, in an attempt to avoid red tape, may have hoped to present Beijing with a fait accompli on the deal.

But in a statement published yesterday the company said: "After having reviewed the situation, the board believes that it is in the interests of the company to terminate negotiations on the proposed acquisition."

Shares in Shanghai International, which have been losing

value since the talks were suspended last Friday, yesterday shed a further 2.86 per cent to 68 cents. Sun Hung Kai & Co, the listed company which owns Sun Hung Kai Securities, saw its share price unchanged at HK\$2.525. Yesterday the financial services company also announced the resignation of Mr Yip Lai-shing, executive director and founding member.

The planned takeover would have seen a mainland entity take control of one of the territory's biggest local brokerages,

albeit one facing increasing international competition.

However, brokers do not view Beijing's refusal to sanction the takeover as a signal that mainland Chinese business expansion in Hong Kong is slowing.

Many believe Beijing may simply be exercising prudence in blocking the deal - believing that Chinese brokerages, fresh from decades at home,

may not be ready to tackle the Hong Kong market with its sophisticated range of deriva-

tives tools - and suggest the deal may go through in future.

Sun Hung Kai & Co is likely to remain in the spotlight following the failed deal. It has already acquired a new controlling shareholder, the Allied Group, which in May took a 33 per cent stake for HK\$745m (US\$96m). The Allied Group, whose interests span finance, property and manufacturing,

was the subject of a long regulatory investigation in 1993, and while its chairman, Mr Lee Ming-tee, has since resigned

his family remains the biggest shareholder.

Other possible buyers include Asian securities houses looking to capitalise on the established name and client base, or possibly a property developer. Among the names being mentioned is Henderson Land Development whose founder, Mr Lee Shau-kee, co-founded the company from which Sun Hung Kai & Co emerged. Analysts estimate the cost of the securities house at about HK\$400m-HK\$500m.

Western Atlas finds a niche as a global force

With the enthusiastic Alton Bran at the helm, the Litton spin-off has gone from strength to strength

A self-confessed technology enthusiast, Mr Alton Bran used to spend his time working on ballistic missile guidance systems and "Star Wars" space weaponry. He now has a more down-to-earth role, concerned with subterranean seismic analysis for oil and gas companies, and automated production equipment for the world car industry.

Mr Bran, formerly chairman and chief executive officer of Litton Industries, the US defence equipment company, now has the same title at Western Atlas, the California-based oil services and automation business which was once part of Litton. It was spun off from its parent in 1994 as part of the vogue towards "corporate unbundling".

Mr Bran, who joined Litton as an engineer in 1973, decided to leave the bigger company for the offshoot - which is separately quoted on the New York Stock Exchange - because "it was more of a challenge".

Two years on, he has no regrets. Western Atlas, he says, "is firing on eight cylinders", with earnings per share having risen about 15 per cent a year since the demerger.

Net earnings for the six months to June 30 were \$32.5m, up 20.6 per cent on the \$43.5m in the equivalent period last year.

Of Western Atlas's \$2.2bn sales last year, just over half were from outside North Amer-

ica, where it operates in some 70 countries.

The mathematics-trained Mr Bran - who while at Litton and in earlier jobs worked on a succession of missile projects including Polaris and Trident - says the "unbundling" has permitted Western Atlas to focus on its two most important business areas. However, he cheerfully confesses there are "no synergies" between them.

About 56 per cent of its revenues come from oil services - including seismic analysis, where it claims to be the world's biggest company, ahead of rivals such as Schlumberger, and accounting for about 30 per cent of the \$2.6bn-a-year global market.

Seismic analysis is used by energy companies to look for geological features in the earth's crust which can indicate oil or gas deposits.

The work requires heavy investment, both in equipment and technology. Western Atlas spends some \$200m a year on new capital equipment in this part of its business, including continual updating of its fleet of 16 seismic-monitoring ships, which can carry out detailed analysis of areas such as the North Sea and Gulf of Mexico.

Between 5 per cent and 10 per cent of turnover in the oil services part of the company is ploughed into research and development, including heavy spending on new sensors

needed to discover tiny fissures in the earth's crust that can indicate new deposits, and on the computer techniques required to unscramble the masses of data from the sensors.

Western Atlas is also investing in a new technology called "ocean bottom cabling", in which rather than using ships, suboceanic regions are surveyed remotely by sensors spread out along the sea surface - a particularly useful technique in congested areas where use of surface vessels is limited by shipping lanes or oil rigs.

Mr Bran says the high spending is necessary to keep ahead of competitors, and makes sense in an area where market demand is growing at 10 per cent a year, with customers seeking continual improvements in survey accuracy and speed.

Of the 45 per cent of Western Atlas's revenues coming from automation, about one-third comes from "automatic data capture", in which the company offers services in areas such as keeping track of parts consignments and storage in warehouses and factories, through use of computers and bar-code labels. The remainder comes from making complex "transfer line" machining systems, mainly for the world's automotive industry.

In both these sectors the company is a world leader. It is



Alton Bran: left Litton to head Western Atlas because 'it was more of a challenge' (left) (left)

among the top three (behind the US companies Siebel and Telxon) in data capture systems, and holds a similar position in transfer lines, where it has production sites in the US, the UK and Germany.

The machining operations associated with these lines, which can cost up to \$300m a system, make Western Atlas the second-biggest machine-tool company in the US, after Wisconsin-based Giddings & Lewis.

In materials handling, Mr Bran is in the fortunate position of having an order backlog (which should be met over the next 18 months to two years) of some \$500m, a result of big planned investments by automotive customers around the world.

Some 80 per cent of orders come from North America, but there are large contracts from China and Russia.

Although the automotive industry is notoriously cyclical, Mr Bran says the immedi-

ate prospects for this part of his business are promising. "Things are looking good in 1996 and 1997," he says.

As for technology, Mr Bran has lost little of his enthusiasm. On a recent trip to Europe, he was keen to try out the latest seismic sensors on a North Sea cruise around the Shetlands, aboard the *Monarch* - one of Western Atlas's latest survey vessels.

Peter Marsh

Mexico group opens LPG site in Peru

By Sally Bowen in Lima

Miguel Zaragoza, the privately-owned Mexican group, yesterday unveiled a \$47m reception, storage and distribution plant for liquefied petroleum gas near Lima's port of Callao. Zeta Gas Andino, as the Lima-based company is to be known, is the 60-year-old Mexican group's first venture into South America.

In its first phase of operations, Zeta will import LPG from Pemex, the large Mexican state-owned petro-

leum group. But with prospects for development of Peru's large Camisea natural gas fields by a Shell/Mobil consortium looking increasingly likely, Zeta may be transformed into pre-export storage for Camisea LPG.

Zeta's high-tech plant comprises six spherical "pressure vessels" with combined capacity to store 12,000 tonnes of butane and propane. This represents a 120 per cent increase in national capacity for LPG storage, and the first challenge to the long-standing monopoly

of state-owned Petroperu, which is in the process of being privatised.

Mr Alfredo Gonzalez, Zeta chief executive for Peru and South America, said the Zaragoza investment had originally been intended for Argentina. But a combination of factors - including political and social stability, sweeping deregulation, high GDP growth, a strategic geographical position and the prospect of Camisea - had attracted the Mexican group to Peru.

The company expansion plan

envisages investment of another \$50m in Peru over the next five years. This may include distributing LPGs by road and rail tankers to Peru's provinces. Zeta is also looking at another South American venture.

The investment underlines the opportunities for swift expansion of the Peruvian domestic market for LPG. Current annual consumption is a low 4 kg a head - most lower income Peruvians use kerosene for cooking - compared with 80 kg in Mexico.

America Online set for NYSE

By Lisa Bransten in New York

America Online, the fastest growing online information service for personal computer users in the US, is planning to move its listing from the automated Nasdaq stock market to the New York Stock Exchange. The move comes at a time of high volatility among some Nasdaq stocks, including America Online, and the company said that avoiding such volatility was among its motives for making the move.

Other considerations included access to information about who is buying and selling America Online shares and the global exposure the NYSE could offer.

Since early May, America Online shares have fallen from \$71 to \$61.75 at midday yesterday, and have sometimes dropped more than \$7 in one day. In the early part of this year, however, America Online experienced sharp upward swings.

Mr Marc Beauchamp, a spokesman for Nasdaq, said that trading information was readily available to Nasdaq companies.

"We hate to see them go," he said, but he added that the number of companies moving from the Nasdaq to the NYSE this year remained in line with historical levels of about 1 per cent.

The NYSE said that in the first six months of this year 32 companies had moved to the "big board" from the Nasdaq, slightly ahead of last year's record-breaking pace.

Advertisement for Komatsu Seiren Co., Ltd. featuring a logo and text: 'U.S. \$100,000,000 3 1/2 per cent. Guaranteed Notes 2000 with Warrants'. Lists various international financial institutions like Yamaichi International, Sumitomo Trust International, etc.

Advertisement for The Export-Import Bank of Japan featuring a logo and text: 'U.S. \$750,000,000 July 1996'. Lists various international financial institutions like Merrill Lynch International, Nomura International, etc.

Handwritten Arabic text: 'صكنا من الالاهل'

صحة من الاهد

COMPANIES AND FINANCE: EUROPE

Canal Plus seeks to clarify German link

By Judy Dempsey in Bonn

Bertelsmann, the German media and entertainment conglomerate, and Canal Plus, the French commercial television channel, are seeking to re-define their alliance after the launch last Sunday of DFL, the digital television channel owned by the Kirch group and Mr Rupert Murdoch's BSkyB.

The alliance, which centres on Premiere, Germany's pay-TV channel, owned by Bertelsmann, Canal Plus and Kirch, has come under strain as Bertelsmann rethinks its strategy in free television and

pay-TV. Mr Michael Dornemann, the Bertelsmann board member responsible for its television division, was in Paris this week for talks with Canal Plus.

"We want to know where we stand with Bertelsmann," Canal Plus said yesterday. "It is no longer clear in which direction Bertelsmann is going. Is it going to concentrate on free television or pay-TV? We want to know what exactly it will mean for us," Bertelsmann said that the talks were "constructive".

The nub of the problem is the structure of Bertelsmann's

TV holdings. It is the majority shareholder of RTL, Germany's most successful commercial (free) television channel. RTL this week paid DM2.5bn (\$1.56bn) for the German language rights to a package of films from MCA, the US entertainment and film group, confirming the commitment by its shareholders to remaining the most important competitor in German free TV.

Bertelsmann says it is still committed to launching its own digital television platform this year, along with Canal Plus, ARD and ZDF, Germany's two state TV channels,

and Deutsche Telekom, the state-owned telecommunications operator. However, the decoder, which allows viewers to receive satellite signals, will be able to receive programmes from both Bertelsmann and Kirch.

To produce more programmes and purchase collectively, Bertelsmann recently forged an alliance with Ufa, its television division, and Compagnie Luxembourgeoise de Télédiffusion, which has a stake in RTL. The new group will broadcast by satellite and is aiming to have its own digital TV network.

It is the nature of that alliance, which will be in direct competition with Canal Plus, and the future of Premiere, which has destabilised relations between Bertelsmann and Canal Plus.

Bertelsmann has been criticised by Canal Plus for failing to consult the French broadcasting group on the details of the DFL-CLT deal; the agreement last week to have a common decoder with Kirch; and how Premiere will operate now that Bertelsmann, Canal Plus and Kirch have agreed to reduce their stakes to make way for BSkyB.

Portugal Telecom studies sale of stake

By Nicholas Denton

Portugal Telecom, the partly-privatised Portuguese operator, yesterday started a process that could lead to the sale of a stake to a large telecoms company such as Stet of Italy or Deutsche Telekom.

It appointed Deutsche Morgan Grenfell, the investment banking subsidiary of Deutsche Bank, and Arthur D. Little, the telecoms industry consultants, to advise on alliances and other elements of its strategy.

Among the options to be examined by the advisers is the possible sale of a shareholding of 20 per cent-25 per cent. If that happened, Portugal Telecom would be the fifth European national operator to take an outside industry investor.

The Portuguese government floated a 27 per cent stake last year and then in June sold a further 22 per cent in the market for \$960m. Like most European governments, it opted for telecoms privatisation by public offering.

But, as the telecoms industry has begun to consolidate, a number of smaller telecoms operators have chosen to sell stakes to larger companies. Matav of Hungary, SPT Telecom of the Czech Republic, Belgacom of Belgium and Telecom Eireann of Ireland have all given up part of their independence.

The main issue for Portugal Telecom's advisers will be to persuade the management, and the Portuguese government, to give up sufficient control to attract telecoms industry investors.

The global co-ordinators of the public offerings - Merrill Lynch, SBC Warburg, Union Bank of Switzerland and Portugal's Banco Essi - were ruled out of contention for the advisory mandate.

But they helped choose the banks that were invited to tender for the work.

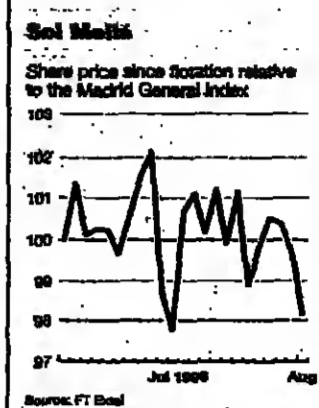
Morgan Stanley and Goldman Sachs, Merrill Lynch's biggest competitors, were not invited. The shortlist was N.M. Rothschild, Salomon Brothers and Deutsche Morgan Grenfell.

Although DMG had the advantage that many of its most serious competitors were eliminated, the mandate is a significant boost for the bank, which is seeking to build up its international equities and advisory businesses.

The Portugal Telecom mandate was awarded just a week after the French Treasury appointed DMG and Banque Paribas to act as advisers on the forthcoming privatisation of France Télécom.

NEWS DIGEST

Sol Meliá ahead 34% in first half



Sol Meliá, the Mallorca-based hotel group, yesterday reported a 34 per cent rise in profits for the first half to the end of June, from Pta1.5bn last year to Pta2bn (\$15.5m). A month ago the company raised \$275m in fresh capital in an initial public offering that set records for an international placement by a Spanish company. The results, which were in line with expectations, came as the family-controlled group announced further expansion which indicated that it was on track to increase the 185 hotels it has under management to 210 by the end of the year. Sol Meliá said it had formed an alliance with Hotti-Hotels, Portugal's biggest hotel chain, to ensure the management and franchise of its future projects. Hotti-Hotels plans to add six new hotels this year to the five it now operates. Sol Meliá, which is ranked 17th among the world's hotel groups, runs a mix of city and resort hotels. The group is understood to be seeking franchises in European capitals such as London, Paris and Rome - popular destinations for Spanish travellers.

The half-year results showed revenues ahead 21.4 per cent to Pta3.2bn, a 15.1 per cent rise in operating costs to Pta1.5bn, and a 33 per cent increase in operating profit to Pta2.2bn. Sol Meliá, which is the only hotel group listed on Madrid's Bolsa, has outperformed the bearish domestic equity market over the past month, with its shares trading at a high of Pta3,000. The Escarrer family placed 40 per cent of its business on the market at the beginning of July with a price of Pta2,700, valuing the group at \$887.5m. The issue of 13m shares was 22 times oversubscribed on the domestic tranche and 20 times outside Spain, where 9m shares were placed. Tom Burns, Madrid

BHF-Bank slows in second term

BHF-Bank yesterday reported a modest rise in first-half profits, marking a slowdown from the growth rate in the first quarter. The German bank had already warned that the economic slowdown in Germany could affect its second quarter performance, but it was confident of matching the full 1995 result this year. Operating profits increased 3.5 per cent to DM1.48m (\$100m) in the first six months - against a 7 per cent rise in the first quarter - after a fall in interest income and higher commission and trading profits. Costs rose 6 per cent to DM401m, with risk provisions unchanged at DM85m.

The bank said falling margins on private customer business had been offset through improved results from its Luxembourg operation, BHF-Bank International, and its mortgage bank, Deutsche Hypothekbank. The interest surplus, down 2 per cent to DM355m, was held back by the non-payment of a dividend by Agiv, the loss-making industrial and transport group in which BHF owns nearly half the shares. Commission profits, 5 per cent higher at DM215m, benefited from increased securities business at the parent bank and its Swiss subsidiary, and from higher earnings at Charterhouse, the UK merchant bank in which BHF-Bank and CCB, its French partner, each own 50 per cent.

Own-account trading profits in securities, foreign exchange and other financial instruments rose 76 per cent to DM65m. On costs, the bank said it had identified savings of 15 per cent as a result of an efficiency programme at its Frankfurt headquarters. Andrew Fisher, Frankfurt

MBO for Grundig chip plant

Grundig, the German audio and video equipment maker, is taking a further step in its restructuring with a management buy-out of its Nuremberg-Langwasser semiconductor plant. Grundig, a unit of Philips, the Dutch group, said the chip plant, which has 250 workers, would become an independent company, called Rotra, owned by former managers Mr Rudi Opitz and Mr Achim Trampenz. Mr Pieter van der Wal, Grundig chairman, said restructuring plans announced last February were on schedule, and sales and earnings in line with expectations. "We have hard work ahead of us to become a consistently profitable company," he added. Gordon Crabb, Amsterdam

Olivetti stresses partnership in IT sector

By Andrew Hill in Milan

The trend in the information technology sector is increasingly towards closer partnerships and alliances, according to Mr Francesco Caio, the new chief executive of Olivetti, the Italian computer group.

In an interview yesterday, Mr Caio, who was appointed chief executive last month, said he had learned the value of partnership in his previous role as chief executive of Omnitel Pronto Italia, the mobile telephone operator in which Olivetti has a 41 per cent stake alongside Italian and foreign investors.

"The Omnitel experience reminded us

how important it is to work with partners, and in information technology that will become more and more the trend," he said. He declined to comment on speculation that Olivetti might seek alliances with other groups.

Mr Caio also sought to reassure clients and the market that his telecoms background, and Olivetti's move to become a broadly-based IT and telecoms group, would not lead to the abandonment of the core computer systems and services business. "We will become more and more of a telecoms operator, but we will not forget the competence and the technological platform provided by systems and services," he said.

Mr Caio was commenting on a report by Datagroup, the US-based technology analysis group, which highlighted Olivetti's strong European position in IT services. The systems and services division, which accounts for 60 per cent of group turnover, develops IT solutions for specific markets, including banks, retailers and public authorities, and provides support services and IT consultancy. It would remain at the centre of Olivetti strategy, Mr Caio said.

In recent months, analysts have focused on Olivetti's ailing personal computer subsidiary, which accounts for less than 20 per cent of turnover. Olivetti reported last week that the subsidiary had reached a pre-tax profit in the second quarter, but volumes would be lower than expected in the second half.

Mr Caio would not comment on the turbulence of Olivetti's shares in the past few days, except to say that all technology stocks had fluctuated wildly in recent weeks. Olivetti, which lost L1,589bn (\$1.04bn) after tax and restructuring charges in 1995, will publish its half-year results in September.

Mr Caio was appointed after the departure of Mr Corrado Passera and the decision by Mr Carlo De Benedetti, Olivetti chairman, to give up day-to-day executive duties.

CIC offers mixed blessings for potential buyers

Potential acquirers of CIC, the state-controlled French bank set for privatisation, will need to give their decisions a lot of thought.

On the positive side, the purchaser will have the chance to acquire one of the country's largest banks, with total assets of FF653bn in 1995, profits rising gradually to FF625m (\$125m) last year, and a nationwide branch network.

It is an institution with a strong brand name and a tradition of innovation, exemplified by its role as the first bank to provide special services for young clients, as early as 1984. Many of its recent financial difficulties - like those of its competitors - had been linked to the vagaries of the French property market. CIC was heavily exposed through its subsidiary DIC, which lent to developers. But DIC has been hived off, and is wholly-owned by CIC's leading shareholder, the state-owned GAN insurance group.

Mr Bernard Yvoncourt, chairman, stresses that CIC's real strength is that it is a grouping for regional banks - such as Banque CIAL in Alsace and Lyonnais de Banque - rather

than a single national bank with regional offices. "The regional heads have the power: they talk as chief executive to chief executive with local companies."

"Daily decisions are taken 100 per cent in the regions. Clients are loyal. It is not the same as having a regional director for a national bank."

But such a structure also brings problems. While the parent company CIC has all the legal rights of ownership over its regional subsidiaries, it was historically the product of a modest contribution of power and money from those banks that created a co-ordination centre.

They remain intensely jealous of their own autonomy. Earlier this year, several of the larger regional banks considered arranging a buy-out of the parent, turning CIC into a form of mutual bank.

Yesterday's privatisation announcement appears to scupper such an idea, but any attempt by a purchaser either to break up the group, or to challenge the independence of each region, could trigger vigorous opposition.

As Mr Yvoncourt says: "It



Those in the queue to acquire CIC must assess the prospects of a strong brand in a tough market.

would be a shame if it was sold by division, or this identity and approach in the regions were to disappear. There is a collective responsibility."

Yet he concedes that as a result of this decentralised structure, "the group has not had the habit of playing its role". Its computer systems are not integrated, and he believes there is a need for the bank to evolve further from its original industrial and corporate base towards other activities, including individual customers and asset management.

For him, the ideal balance is for the regions to determine risks, commercial policy, client relations, management of assets and social policy, within

limits set down by the holding company, which has "shareholders' rights" to dictate boundaries, determine new investments and create synergies within the group.

Mr Yvoncourt also argues that CIC's ratio of banking revenues to operating costs remains too high at nearly 78 per cent, several points higher than a number of its leading rivals. He believes that the regional structure justifies a premium of up to 3 percentage points, but the overall ratio needs to fall to 60-70 per cent.

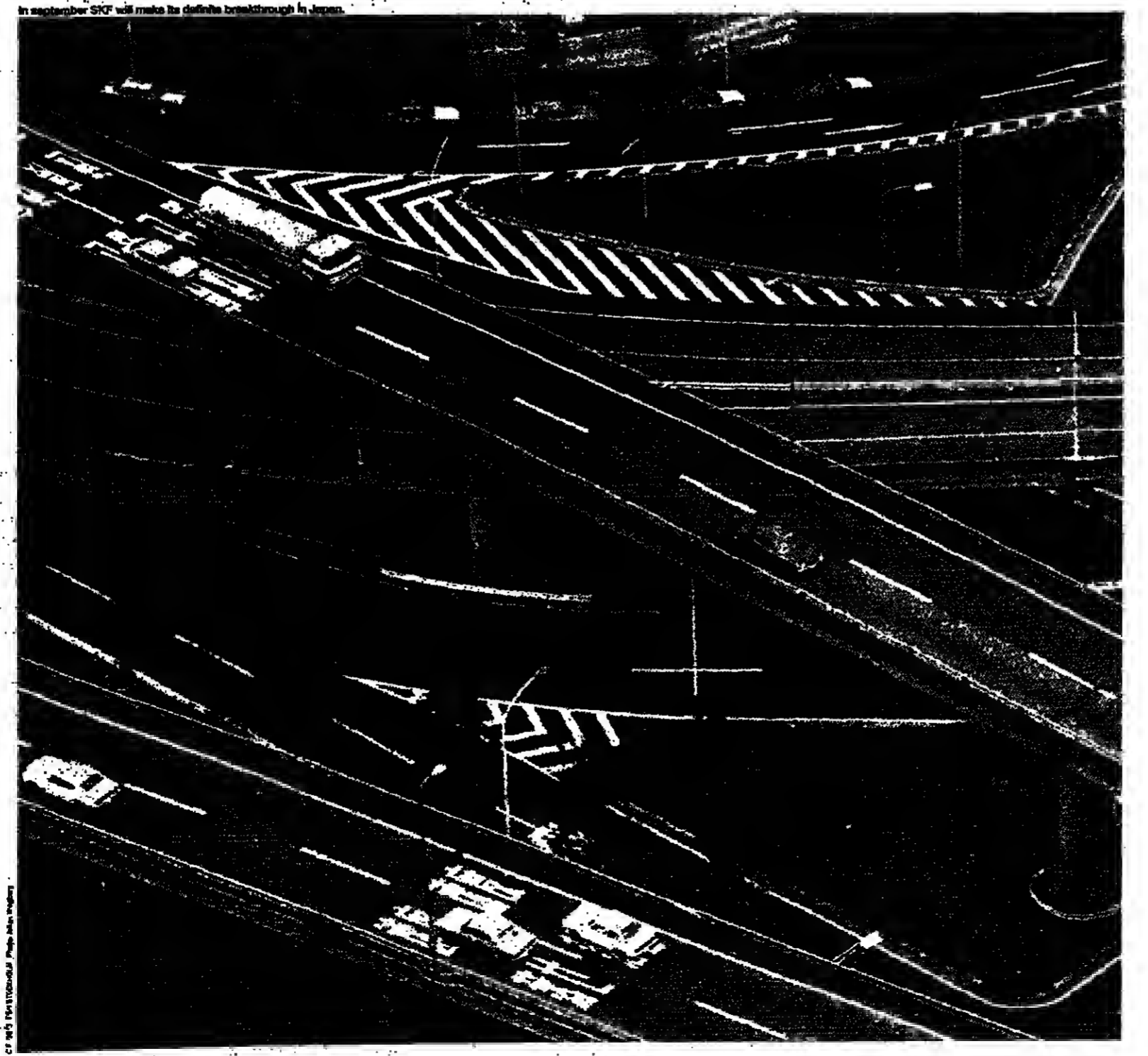
One of his responses has been to launch a programme to harmonise computer systems,

and establish a series of regional back offices designed to improve efficiency and reduce costs.

Potential purchasers may feel constrained - at least in the short-term - by the challenges of meeting the French government's conditions on the sale, such as GAN's desire to continue selling its own life assurance policies through the CIC network.

They also face a structural challenge: the potential profitability of the France's domestic banking sector - where most of CIC's activities are concentrated - at a time of intense competition and low margins.

Andrew Jack



SKF breaks into Japanese Automotive Market

For the first time in its history, SKF will sell wheel bearings directly to a Japanese car manufacturer in Japan. Despite very strong Japanese bearing competition, SKF signed a multi-year contract with Suzuki to supply Hub Units. The Hub Unit, a concept developed by SKF, is a unitised assembly, lubricated and adjusted at the factory to reduce maintenance and installation costs.

Decisive factors in Suzuki's decision included SKF's reputation for dependable, high quality products as well as SKF's global production and service network. Deliveries are scheduled to begin in September this year.

THE SKF GROUP'S CONSOLIDATED INCOME after financial income and expense for the first half of 1996: 1 475 million Swedish kronor (1 866). Sales: SEK 17 528 m (19 487). Income after financial net for the second quarter: SEK 664 m (959), sales SEK 8 647 m (9 775). Fluctuations in exchange rates had a negative effect on sales, in the order of 9 per cent or approximately SEK 1 700 m.

In the North American market, SKF is continuing to increase its sales to the automotive industry. Following the decision to build a new plant in the United States for the manufacture of Hub Units, further contracts have been secured, including another large order for these products by the leading U.S. manufacturer of truck axles.

The European market, however which accounts for almost 60 per cent of Group sales, showed a continued weakening in the demand for rolling bearings. All major markets, with the exception of France, showed the same weak trend.

Growth remains good in Asia. SKF's sales to the aftermarket are developing positively. One customer segment where SKF is recording increasing sales is the manufacture of motorcycles and scooters. The Group supplies the market primarily from its European plants.

The SKF Group operating income after depreciation for the first six months of 1996: SEK 1 657 m (2 256). Financial net: SEK -182 m (-390). This improvement can be attributed mainly to a positive outcome from forward transactions made to cover currency flows.

Earnings per share after tax SEK 7.90 (10.85). Capital expenditures in property, plant and equipment SEK 1 099 m (934). At the end of June, the Group financial assets were SEK 3 660 (4 874) compared with SEK 4 035 m at the beginning of the year. The return on capital employed July 1st 1995 - June 30th 1996 was 17.0 per cent (17.0). Return on shareholders' equity 16.0 per cent (19.4). Group solvency 31.3 per cent (29.9).

For a copy of the half-year report, please write to SKF Group Communication, S-415 50 Göteborg, Sweden, or access the Internet <http://www.skf.se>

AVERAGE RATE OF EXCHANGE 1996:1 GBP = 10.28 SEK. 1995:1 GBP = 11.68 SEK.



Advertisement for Bank of Japan, featuring the text 'Bank of Japan' and 'Asahi International' along with various financial details and contact information.



صحة من الادل

COMPANIES AND FINANCE: UK

# Yorkshire Elec moves to lift share price

By Jane Martinson

Yorkshire Electricity is to increase its annual dividend by more than a third this year in a surprise move designed to lift a share price which the company believes has been depressed by political concerns.

The shares rose 26p to 707p yesterday as the regional electricity company announced its intention to pay a 52.69p total dividend in the year to March 1997, an increase of 34.4 per cent.

Prior to the announcement, at yesterday's annual meeting in Grimby, the company had promised a 10 per cent increase.

The announcement raised expectations of further buy-backs and special dividends by utilities before the general election.

Earlier this week Thames Water bought back 10 per cent of its shares and a number of other groups - notably Yorkshire Water, East Midlands Electricity and PowerGen - are expected to do so before the year-end.

Mr Tony Coleman, finance director of Yorkshire, said the move was prompted by "share-

holders making quite clear that they are natural sellers of the sector because of political and regulatory uncertainties. We have to respect that".

Yorkshire's share price has underperformed the market by about 17 per cent in the past year.

Even after yesterday's share price rise the proposed dividend further 7 per cent dividend increase for next year.

The group is also expected to spend about £110m on buying back 10 per cent of its shares before the year-end and after receiving permission for such a move yesterday.

Mr Coleman denied that the dividend rise was designed to offset the effect of the Labour party's proposed windfall tax. "We would have to get rid of a lot of money to get immunity from it," he said. "Any existing or incoming administration could simply say 'Go and borrow some more'".

Following the dividend payment and a buy-back the group's gearing would be at about 100 per cent, he said.

# General Cable in £131m purchase

By David Blackwell

General Cable, the UK's fifth largest cable operator, yesterday completed the £131m (£204m) acquisition of the 50 per cent of Yorkshire Cable Group that it did not already own.

In a complex transaction the group issued 75m new ordinary shares priced at 160p on the international market. The deal, which marks a further consolidation of the UK cable television industry, raised £43.2m net of expenses for working capital and to repay Yorkshire's debt.

The Yorkshire stake was acquired from Singapore Telecom International, which has long signalled its intention to quit the UK market. Singapore Telecom will receive £72.3m in cash and retain 36.5m shares in General Cable - a stake of just under 10 per cent. It has agreed not to reduce its stake for two years.

The shares, which are expected to be admitted to the official list on Tuesday, closed yesterday down 3/4p at 162 1/2p.

The stake held by Compagnie Générale des Eaux will fall by 56 per cent to just over 40 per cent.

# Breaking up is hard

How is the once-mighty Hanson falter. Since Lord Hanson announced plans in January to split his £11bn-turnover industrial holding company into four, the shares have fallen 23.6 per cent, closing yesterday at just 156 1/2p. Against the FT-SE-100 index, the decline, some 21.2 per cent, is almost as severe. Today the shares are trading below even the most conservative assessments of Hanson's break-up value of about 165p.

In part, the slide reflects market disillusionment with the conglomerate sector at a time when focus and globalisation are management buzzwords. That has been compounded by Hanson's own demerger strategy, which has led many investors to conclude that in the 1990s conglomerates are dinosaurs doomed to extinction.

More damaging, though, are the altered market circumstances since the break-up was unveiled, and the information that has emerged about Hanson itself.

Under the demerger plan, Hanson's tobacco and chemical businesses are each to be floated off separately on October 1. That will be followed by the flotation of the energy arm next January.

Imperial Tobacco Group, in spite of its size, a potential takeover target.

But the outlook for the chemicals business has deteriorated sharply since the demerger was announced. Millenium

# Ross Tieman on disenchantment since Hanson opted to split up

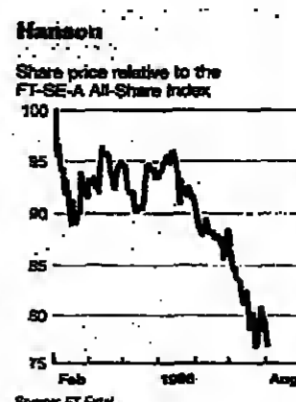
Chemicals will comprise Quantum, a leading producer of polyethylene, and SCM, which makes titanium dioxide.

Far from proving attractive to predators, as analysts had hoped, it now looks likely to attract a bid only from a bigger player seeking to rationalise overcapacity in its sectors and expand its share of fiercely competitive markets.

Hanson's energy business has also suffered de-rating, for different reasons. It combines America's largest coal producer, Peabody, with Eastern, the UK electricity distributor acquired last September for £2.5bn and a clutch of coal-fired generating plants bought from National Power for £1.7bn. But price-earnings multiples in the UK electricity industry have fallen sharply on fears of tighter regulation, particularly if a Labour government won power next spring.

Meanwhile investors who used to rely upon Hanson's heavy dividend payout face a substantial cut once the demerger is achieved.

But the most damaging blow to sentiment came earlier this month, when Hanson accompanied first-half profits with news that it was cutting the value of its assets by £3.2bn. The cause was a switch to US accounting standards for the energy business, which is



expected to be quoted in New York as well as London, and a reduction in the value of Peabody's coal reserves and the un-mined rock at Cornerstone's US quarries.

Although Hanson denies it, some analysts believe the company had over-valued the assets in the past.

At the peak of its influence in the late 1980s, Hanson could put the frighteners on ICI, or offer to take PowerGen off the government's hands without a quiver. Today, it is out of favour. Lord Hanson's knack was to spot value others had overlooked. By the year end, investors will know whether that talent persists, or whether the market is now the better judge of the group's potential.

# Blenheim confirms takeover talks

By Tim Burt

Blenheim Group, the exhibitions organiser, confirmed yesterday it was in takeover talks that could lead to an offer for the company.

The shares rose 9p to 42 1/2p.

The Stock Exchange statement, released following an intervention by the Takeover Panel, did not name the potential bidders.

However, United News & Media, the publishing, media and financial services company, said it had suspended negotiations with Blenheim

pending the release of further financial information.

Reed Elsevier, another potential bidder, declined to comment. The Anglo-Dutch publishing group was yesterday said to be maintaining a dialogue with Blenheim, although suggestions of an imminent deal were played down.

United, meanwhile, indicated last night that it was hopeful of obtaining answers to areas of concern raised with Blenheim and its advisers. Those are thought to centre on its accounting procedures and its method for reporting profits.

## RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year	
Abbey	46 (50.4)	6.22	(6.37)	11.17 (15.08)	3.4	Oct 7	3.15	5.5	5.25
Alford	21.4 (24.5)	2.47	(2.51)	0.73 (6.45)	2.4	Oct 6	2.1	3.4	3.1
Chelmsford	6.33 (6.23)	0.208	(0.281)	2.43 (4.38)	1	Oct 9	0.5	-	1
Green Property	5.133 (4.81)	2.54	(2.9)	5.41 (5.97)	1.3	Oct 1	1.3	-	4.4
Hampson	5.19 (4.85)	0.405	(0.317)	1.08 (0.98)	0.8	Oct 9	0.8	0.8	0.8
Harrogate	38.7 (41.4)	2.55	(28.4)	1.81 (2.4)	0.8	Oct 1	0.8	0.8	0.8
Lassau	339 (330)	117	(81)	3.9 (1.4)	-	-	-	-	1.25
Leisure	32.3 (32.2)	1.41	(1.51)	2.97 (2.88)	1.75	Oct 1	1.75	-	4.25
Milys	279.9 (153.4)	50.4	(28.3)	4.41 (5.1)	6.89	Oct 7	5.82	10.88	9.27
Northampton	6 (7)	0.5	(1)	10.57	-	-	-	-	6.5
RAF	67.9 (67.4)	2.57	(2.3)	22.3 (20.7)	8	-	8	-	6.5
Paton	53.7 (36.8)	6.51	(5.15)	5.88 (4.99)	0.85	Sept 27	0.5	-	1.887
Roscoe	8.82 (7.85)	0.079	(0.08)	0.05 (0.04)	-	-	-	-	-
Robur	45.7 (38.7)	9.12	(7.43)	6.5 (5.3)	3	Oct 4	2.1	-	5.4
Shell Transport	33.43 (46.82)	2.928	(2.54)	32 (27.9)	12	Oct 1	12.9	-	33.3
TI	685.2 (652.4)	125.3	(87.4)	18.3 (12.5)	4.75	Oct 8	4.35	-	13.1

REPUBLIC OF ALBANIA  
GENERAL DIRECTORATE  
OF STATE RESERVES

### INVITATION FOR BIDS

- General Directorate of State Reserves has received a fund of 11,500,000 (eleven million five hundred thousand) USD, from the State budget and intends to purchase 50,000 tons of milling wheat.
- General Directorate of State Reserves invites the bidders to participate in International Bid for purchasing of 50,000 tons milling wheat promptly.
- Bidding documents may be purchased at General Directorate of State Reserves Tirana Albania for a non-refundable fee of 150 USD for each set on the submission of a written application. Interested bidders may obtain further information at the following address: General Directorate of State Reserves, Bulevardi "Deshmori e Kombit", Tel & Fax: 00 355 42 28370, Tel & Fax: 00355-4223277, Tirana, Albania.
- Bids must be submitted to General Directorate of State Reserves no later than 25 August 1996, 15:00 local time at which the Bid will be opened in the presence of the bidders or their representatives.
- The Bid security will be forfeited if a bidder withdraws his bid during the validity period or refuses to accept the award of the contract if selected.

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# REPUBLIC OF ECUADOR

## NATIONAL COUNCIL FOR THE MODERNIZATION OF THE STATE

### COMMISSION FOR THE MODERNIZATION OF TELECOMMUNICATIONS

#### OPENING OF THE PROCESS FOR INSCRIPTION IN THE OPERATORS QUALIFICATION REGISTRY, FOR PARTIES INTERESTED IN PARTICIPATING IN TELECOMMUNICATIONS MODERNIZATION IN ECUADOR.

The Republic of Ecuador, through the Commission for the Modernization of Telecommunications, COMOTEL, as the executing agency for the National Council for the Modernization of the State, extends an invitation to all operators interested in participating in the telecommunications modernization process in Ecuador, either directly or through associated companies, as defined in COMOTEL Resolution No 96-02, to formally express their intention of registering in the Qualified Operators Registry and to present the documentation that may permit a satisfactory evaluation of compliance with all requirements foreseen in the COMOTEL Standards for Qualification.

Under provisions set forth in the "Reformatory Law to the Special Telecommunications Law", published in Official Register No 777, of August 30, 1995, the Telecommunications Modernization Process, includes the splitting of EMETEL S.A. into several companies. A 35% of the shares of each company, shall be sold to different national or international operators, who will be entrusted with the responsibility of administering and operating each one of the companies resulting from said EMETEL S.A. division.

Through Resolution 96-02 of July 10, 1996, COMOTEL issued the Standards for Qualification in the Registry of Operators Interested in Participating in the Telecommunications Modernization Process in Ecuador.

Applicants interested in participating in this process shall submit the following current technical and service, economic-financial and legal information for 1995 pertaining to the company, if it is an operator, or carrier of telecommunication services and in the event it is not, the information pertaining to the associated company that is a telecommunications service operator or carrier.

#### TECHNICAL AND SERVICE REQUIREMENTS:

- Number of local lines installed in the network for wired or wireless service, exceeding two million five hundred thousand (2,500,000) or two hundred thousand (200,000) interurban or international carrier service circuits.
- Local service companies must comply with the following two parameters.
  - Average percentage of completed incoming international calls, equal to or higher than fifty five percent (55%) for local service operation.
  - Percentage of failures repaired within 24 working hours, equal to or greater than eighty percent (80%).
- Long distance service companies may comply with one of the following parameters, left to the applicant's selection:
  - Percentage of outgoing long distance call equal to or higher than ninety eight percent (98%); or,
  - Availability of interurban circuits equal to or higher than ninety seven and one half percent (97.5%)

The availability of interurban circuits is:

- The total number of minutes of interurban circuits out of service is divided by the total number of interurban minutes available.
- The difference that results from subtracting from one (1) the quotient between: the total of minutes of interurban circuit out of service divided by the total number of minutes available.

The total number of available interurban minutes is the total of circuits installed, multiplied by the number of days (365) times the total number of minutes in one day.

Each one of the previously mentioned indicators shall be certified by the Regulating Entity or Telecommunications Authority of the country of domicile of the corresponding operator, or by an auditing company or recognised prestige. In the event that the applicant is linked to some international operator, service indicators information shall be that corresponding to the country where its principal operation is located.

If a long distance telephone service company is qualified, prior to the international public auction, said company shall justify its association with a basic network operator that meets the requirements determined in numerals 1 and 2 of this article.

#### ECONOMIC - FINANCIAL REQUIREMENTS:

- Gross Income derived from the provision of telecommunications services in excess of two thousand five hundred million US dollars (US\$ 2,500,000,000.00) or its equivalent in other currencies, in accordance with audited financial statements for the last fiscal year.
- Annual reports for the last two years.
- Audited Financial Statements, accompanied by an auditor's opinion, corresponding to the two years mentioned in the previous item.

The Legal Representative of the participating company shall declare that from the date of the last financial statement to the date of the invitation, the equity and solvency situations of the company have not been affected by any substantial negative variation.

- A document that evidences the present "Investment Grade" classification for the company's short or long term debts, to be issued by any of the classifying companies: Moody's, Standard and Poor's or Duff and Phelps, shall be submitted.

In the event that the applicant's debt is not classified, and that the State, where the Main Office is located, is the proprietor of over 50% of its capital, the applicant may submit evidence of the "Investment Grade" of the short or long term debt classification of the State that is the owner of the Main Office.

#### LEGAL REQUIREMENTS:

- Letter of intention to participate in the Qualification Process to be registered in the Operators Qualification Registry, in accordance with the form provided by COMOTEL.
- If the applicant is not a telephone services operator, it must explain its relationship to the company it is linked with, that must be an operator, and of which it is using the technical and services requirements information as well as economic and financial requirements.
- Certified copy of documents that give proof of the legal existence of the operating company at date of presentation.
- Certificate issued by an Ecuadorian Consul, which shall attest that the company is authorised to operate abroad.
- Identification of the person who may be notified with procedural matters, as well as the Resolution that states the inclusion or lack of it in the Qualification Registry. For this it is necessary to provide an address in Ecuador.

If any of the information presented is found to be false, this sole circumstance shall disqualify the applicant (s). Likewise, any operating company that proposes to interfere or exert any influence on the analysis of documentation presented, shall be disqualified.

#### RECEPTION OF DOCUMENTS:

Documents shall be presented in three (3) envelopes, one (1) original and two (2) copies, duly identified and addressed to the Secretary of COMOTEL, Executive Director of CONAM, on the 9th floor of the Edificio de la Corporación Financiera Nacional, located on Ave. Juan Leon Mera# 130, Quito, Ecuador, on 30th of September, 1996, between 08:30 hours to 18:00 hours as indicated by the clock located in the reception area of the CONAM Offices at the above mentioned address.

Documents submitted in a foreign language shall be accompanied by translations made by a translator whose signature has been authenticated by a notary public or by an Ecuadorian Consul or by a Civil Judge. Likewise, such documents shall be legalised by a diplomatic or consular agent of Ecuador accredited before the foreign nation of the applicant's domicile.

All documentation required shall be submitted in the Spanish Language, and only additional support documents may be submitted in the English language.

#### FIRST PUBLICATION:

Once the reception process has been concluded, and within the three working days following same, a single publication shall be made in two (2) high circulation national newspapers, containing the list of all operators interested in participating in the Ecuadorian Telecommunications Modernization Process.

#### SECOND PUBLICATION:

After the evaluation process has concluded, the notice with the listing of companies that comprise the Operators Qualification Registry, shall be published once in two (2) high circulation national newspapers.

#### ASSOCIATIONS AFTER THE QUALIFICATION PROCESS:

After being qualified and registered in the Operators Qualification Registry, applicants may choose to form associations with other qualified operators and/or with national or international investors interested in participating in the modernization process, provided that they keep at least fifty one percent (51%) of their stock participation in the corresponding association or consortium. When said association or consortium has the participation of more than one qualified operator, the consortium by laws shall define the leader of same, in which case said leader shall have a participation percentage equal to or greater than fifty one percent (51%).

Any additional information may be requested, preferably in writing, addressed to the attention of the COMOTEL Secretariat, that is, to the CONAM Executive Directorate, 9th Floor, Edificio de la Corporación Financiera Nacional, Ave. Juan Leon Mera# 130, or via Fax: (593-2) 509-437, or Telephones (593-2) 509 432 to 435.

Quito 1st of August, 1996

Dr. José María Aguirre  
President  
COMOTEL

Dr. Patricio Peña. R.  
Executive Director, CONAM  
Secretary, COMOTEL

Division

Windsbury takes all homebase

RES - TAX FREE 0171 896 2314

Signal

INTERNATIONAL CAPITAL MARKETS

Production data spur Treasuries

By Lisa Branstetter in New York and Peter John in London

Treasury prices soared in early trading yesterday as weak data on manufacturing activity convinced many on Wall Street that the Federal Reserve would not raise interest rates later this month.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago Securities, said the market yesterday wrote off a rate increase in August. However, he added that the market could tumble if employment figures due out today are not equally weak.

Earlier, that market paid little attention to figures showing that gross domestic product rose 4.2 per cent in the second quarter, within the range of analysts' projections.

US bullishness gave a boost to debt prices throughout Europe. This masked a smaller

GOVERNMENT BONDS

shift at the expense of Germany and to the benefit of other EU member states, particularly the high-yielders.

Bonds were weak ahead of the US data as a worrying report from the Social Democratic party offset potentially beneficial information from the IFO economics institute.

The SPD said predictions of DM80bn for this year's budget deficit were unrealistic, with the drain on the economy already reaching DM45bn by the end of the first half.

future broke through recent highs - unusually, dealers said, UK investors refrained from taking profits. The absence of domestic selling mingled with a trickle of overseas buying ensured that the strength was maintained.

The summer hull kept euro-bond issuance at bay, but Abbey National issued an innovative floating-rate instrument in the French franc sector.

It launched FF1bn of 10-year bonds pegged to the 10c-10 index, which represents the moving average of constant maturity 10-year French government bond yields.

Abbey is the first foreign borrower to have launched such securities.

The bonds pay a coupon of 100 basis points below the 10c-10 index, which currently trades at 6.29 per cent. Since the index tracks long-term bond yields, bullish investors buying Abbey's bonds would expect long-dated French yields to rise and/or the yield curve to steepen.

BNP, joint lead with Morgan Stanley, said the bonds met with strong interest from French institutions with long-dated liabilities, such as pension funds. They also drew money market funds looking for floating-rate assets offering a yield pick-up, and banks and central banks seeking to hedge fixed-rate portfolios.

Life's September long gilt

New fund will trade on market anomalies

By Philip Coggan, Markets Editor

Credit Lyonnais House and Equitable House Investments have launched a hedge fund designed to give investors a chance to participate in the skills of a proprietary arbitrage trading desk.

The Volatility Fund, a Luxembourg-registered open-ended investment vehicle, is designed to take advantage of pricing anomalies in the equity and commodity markets.

These anomalies may have increased, according to Mr Desmond Fitzgerald, chairman and chief executive of Equitable House, because the derivative disasters at banks such as Barings have led financial groups to reduce the capital devoted to trading activities.

One way which this fund will follow is entails selling options when the implied volatility in premiums is high (which often occurs during periods of market turmoil), and buying the options back when volatility declines.

The fund will be "market neutral" - in other words, its performance will not be dependent on the direction of market movements. It will trade in neither bonds nor currencies, where Mr Fitzgerald thinks arbitrage possibilities are more limited.

Equitable House cites a cumulative return of 90 per cent since its establishment in September 1988, employing the same techniques as the Volatility fund will use.

The minimum investment in the fund, which is designed for institutional investors, will be \$750,000; annual fees will be 2 per cent with a further performance fee based on the excess return over US Treasury bills.

Both US dollar and D-Mark share classes will be offered.

Zhuhai deal may soften state stance on financing

By Sophie Roell in Beijing

The success of a \$300m bond issue for an infrastructure company in China's Guangdong province this week has raised hopes that Chinese entities might regularly tap the international capital markets to finance the country's large infrastructure requirements.

The issue for the Zhuhai Highway Company - a special purpose vehicle formed to raise financing to build roads in the city of Zhuhai in southern China - was structured as a non-recourse financing meaning the bonds are not backed by a guarantee from the Chinese government.

Instead, investors rely for repayment on revenue generated by the company. Under central government guidelines, foreign borrowing for infrastructure should be on the basis of the company's viability project, rather than the support of the state.

Revenue will come from an annual vehicle usage fee paid by motorists registered in Zhuhai, and from tolls paid as vehicles enter the city, which is one of China's special economic zones.

The Zhu Kuan Group - a municipally-owned enterprise, of which Zhuhai Highway Company is a part - has pledged support if there is an interruption in the revenue stream, or if the company has difficulty in finding foreign exchange to service its obligations.

Although a similar structure has been used to raise bank loans for infrastructure projects in China, this is the first time the country has successfully tapped the longer-term financing available in the capital markets. The deal is divided into two tranches: \$56m of senior notes due in 2006, and \$151m of subordinated notes due 2008. The issue was lead-managed by Morgan Stanley.

Bankers said the deal showed increasing flexibility by the Chinese government in allowing new borrowers to access the capital markets. Traditionally, China has restricted overseas bond issuance to a few select entities - mostly financial institutions - worried that allowing less creditworthy entities to raise funds would damage the country's reputation and, as a result, drive up

the cost of borrowing. While the senior notes for the project were rated BBB by Standard & Poor's - the same as China's sovereign rating - the subordinated debt at 975 basis points was issued with a speculative grade rating of BB. Both were priced at a much wider spread to US Treasuries than China's sovereign debt borrowings: the senior debt at 250 basis points and the subordinated debt at 975 basis points. A 10-year bond issue by China's ministry of finance at the beginning of July was oversubscribed at a price of only 110 basis points over Treasuries.

Mr Paul Coughlin, managing director at Standard & Poor's in Hong Kong, said it was the first speculative grade bond issue out of China.

China's decision to allow a municipally-owned, stand-alone company to issue in the market reflects a trade-off between the higher cost of borrowing and concern in the central government about its own potential foreign debt obligations if it continues to foot the bill - either directly or through guarantees - for the country's infrastructure needs.

The CME two years ago agreed common banking with the New York Mercantile Exchange, although that facility is still under development.

Mr Merton Miller, the Nobel Prize-winning economist who is leading the exchanges' consolidation talks, says US futures exchanges, including the NYMEX, may have multilateral backing by the time the CME/CBOT project is complete.

This is the latest effort by the Chicago exchanges to streamline operations. A similar joint venture formed five years ago was disbanded.

Exchanges study banking link

By Laurie Morse in Chicago

The world's two largest futures exchanges are edging toward consolidating operations, under pressure from their institutional memberships to reduce clearing costs.

While a full merger is not likely, the Chicago Board of Trade and the Chicago Mercantile Exchange are about to sign a letter of intent to pursue common banking.

They have also agreed to pay EDS, the US computer services group, \$4m to explore cost-savings from consolidating reg-

ulatory, clearing, technical and order delivery operations in Chicago. Unlike London, Chicago's big futures exchanges have separate clearing and settlement systems.

The EDS studies are expected to be completed before the end of the year. Common banking will enable the clearing firms that do business on each exchange to effect settlement of trades with a single transaction through a common account at a bank. This will trim member firm costs and reduce risks to the payment system.

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SE-Banken arm launches Russia fund

By Greg McIvor in Stockholm

Enskilda Securities, the investment banking arm of Scandinavian Enskilda Bank, is to launch a new listed equities fund for the Russian market.

The fund will be open-ended and have an initial target size of \$50m, putting it at the larger end of the 16 or so international securities funds cur-

rently investing in Russia. The fund will be listed on the Irish stock exchange, and will be the first to include on its board top executives from large Russian listed companies.

These include Mr Anatoly Dausky, chief executive of Red October, the confectionery producer; Mr Leonid Fedun, vice-president of Lukoil, Russia's largest privatised oil company; and Mr Sergey Rummy-

antsev, vice-president of Mosenergo, the power utility. Enskilda said it was the first big fund to launch in Russia since last month's presidential elections. It will invest in liquid stocks, with an emphasis on undervalued companies with blue-chip potential, as well as growth stocks.

Mr Paul Westman-Engström, partner at Westman & Leander Investment Management in Stockholm, which is advising Enskilda, said he expected Russian banks to switch assets from fixed-income markets into equities, following the victory of President Boris Yeltsin.

He said the poor showing of the Communists had removed the risk of a political "reversal", reflected in growing demand for Russian equities from investors such as pension and mutual funds.

WORLD BOND PRICES

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, High, Low, Est. vol., Open Int. Includes Australia, Austria, Belgium, Canada, Denmark, Germany, Italy, Japan, Netherlands, Portugal, Sweden, UK Gilts, US Treasury, and ECU (French Gov).

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, High, Low, Est. vol., Open Int. Includes Australia, Austria, Belgium, Canada, Denmark, Germany, Italy, Japan, Netherlands, Portugal, Sweden, UK Gilts, US Treasury, and ECU (French Gov).

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price, Change, Yield, High, Low, Est. vol., Open Int. Includes UK Gilts, US Treasury, and other fixed interest indices.

US INTEREST RATES

Table showing Treasury Bills and Bond Yields for various maturities (1-30 years).

BOND FUTURES AND OPTIONS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, High, Low, Est. vol., Open Int. Includes France, Germany, and UK Gilts Prices.

FT-FIXED INTEREST INDICES

Table with columns: Index, Price, Change, Yield, High, Low, Est. vol., Open Int. Includes UK Gilts, US Treasury, and other fixed interest indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Table listing various international bonds with columns for Issued, Bid, Offer, Price, Yield, and other details.

GLT EDGED ACTIVITY INDICES

Table with columns: Index, Price, Change, Yield, High, Low, Est. vol., Open Int. Includes UK Gilts, US Treasury, and other fixed interest indices.

OTHER STRATEGIES

Table listing various other strategies with columns for Issued, Bid, Offer, Price, Yield, and other details.

UK GILTS PRICES

Table showing UK Gilts prices for various maturities and dates.

Other Fixed Interest

Table showing other fixed interest rates and yields for various countries and maturities.

COMMODITY MARK STRATEGIES

Table showing commodity market strategies and prices for various commodities.

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MARKETS REPORT

Soft US data help ease exchange rate pressures

By Philip Gawth

Markets had a slightly calmer day yesterday after the US purchasing manager's index came in below expectations, easing expectations of an early rise in US interest rates.

The nervous performance of the dollar on Wednesday left it vulnerable to stronger data which would have invited speculation that the Fed was too accommodating in fighting inflation.

The dollar closed in London at DML4736, from DML4728. It was off an intra-day low of DML4693. Against the yen it finished at Y108.765 from Y108.725.

Trading was dampened by the proximity of the August US payrolls report, which is released today. It is the most closely watched monthly economic release in the world, and five out of the past six months it has come in above expectations, often causing sharp moves in financial markets.

In Europe, the Bank of France cut its 5-10 day lending rate by 15 basis points to 4.75 per cent, but left the more important intervention rate unchanged at 3.55 per cent. The best performing currency was the lira which rallied to finish at L1,027 against the D-Mark, from L1,033 on Wednesday.

The pound had an uneventful day with the trade-weighted index finishing at 84.7 from 84.6.

Elsewhere, the South African rand's troubles continued as it fell to fresh historic lows against the D-Mark and sterling. Against the pound it closed at R7.015, having earlier reached a new low of R7.045. It was more stable against the dollar, finishing at R4.9050.

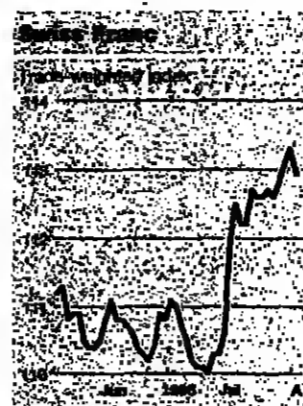
Mr Parasad said that there was a chance in the short term that buoyant US asset markets would help the dollar. But in the medium term, he said, the removal of one of the dollar's

from R4.9050.

After the release of the US data, the dollar found itself trapped between the conflicting forces of rallying US asset markets, and the reality that markets were now barely discounting any tightening in US interest rates at all.

Mr Tony Northfold, UK treasury economist at AEN AMRO in London, said that it now seemed possible that the Fed might only raise rates once this year, and then only by as little as 25 basis points.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said this scenario angered poorly for the dollar since the expectation of rising interest rates had been the main factor behind the rally in the dollar earlier this year.



Key props, in the form of higher rates, introduced the risk that it would test the DML45 and Y108 levels. Mr Northfold said the fragile growth scenario in Europe, which required lower interest rates, should help the dollar. Whether this benign environment will unfold is a moot point. Ms Alison Cottrell, analyst at Paine Webber in Lon-

don, believes that it will, in a month's time, when German rates resume their downward path, allowing "high-yielders" to do the same.

But there are risks in the interim. Ms Cottrell notes that when the dollar rises or falls against European currencies, the D-Mark responds disproportionately. A Catch-22 situation, however, has arisen. "If the D-Mark is now less disproportionately exposed to a dollar move, thanks to an increasing core European bloc, it has simultaneously become more vulnerable to any threats to the EMU timetable." But as Ms Cottrell points out, one of the key threats is a weak dollar. If current trends were to continue, they could cause serious tensions in Europe.

Sometimes currency movements defy ready explanation. The weakness in the South African rand is a case in point. A string of background factors are called in aid - rumours

about the resignation of Mr Chris Stals, governor of the Reserve Bank, the low level or foreign reserves, and a string of other factors, none of which are new.

Little more can be said than that investors are disinclined to buy a currency if they believe it will be weaker the next day, no matter how undervalued it is today.

Worrying, however, is that this weakness takes place against a backdrop of a weak dollar. Also, it is not generalised among all currencies. Mr Steve Jenkins of Banque Indosuez in London notes that the Czech koruna is at an all time high, while Brazil and Mexico were unmoored by recent changes in Argentina.

Table with columns: Aug 1, Closing, Change on day, Bid/offer spread, Day's high/low, One month, Three months, One year, Bank of England, etc. Includes sections for Pound Spot, Dollar Spot, and Euro Spot.

Table with columns: Aug 1, Closing, Change on day, Bid/offer spread, Day's high/low, One month, Three months, One year, JP Morgan, etc. Includes sections for Dollar Spot and Euro Spot.

Table with columns: Aug 1, Short term, 7 days notice, One month, Three months, Six months, One year. Includes sections for Euro Currency Interest Rates and Euro Currency Futures.

WORLD INTEREST RATES

Table with columns: Money Rates, August 1, Over night, One month, Three months, Six months, One year, Lomb. inter., Dis. rate, Repo rate. Lists rates for various countries like Belgium, France, Germany, Italy, etc.

EURO CURRENCY INTEREST RATES

Table with columns: Aug 1, Short term, 7 days notice, One month, Three months, Six months, One year. Lists rates for various Euro currencies like Belgian Franc, Dutch Guilder, etc.

CROSS RATES AND DERIVATIVES

Table with columns: Aug 1, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer. Lists exchange rates for various currencies.

FRF 500,000,000 EQUITY-LINKED ZERO COUPON NOTES DUE 1996

ISIN CODE: XS030207345. In accordance with the Terms and Conditions of the Notes, notice is hereby given that, pursuant to paragraph (A) and (C)(1) of Condition 5, Redemption and Purchase, the Redemption Amount applicable upon redemption of each Note will be:

UK INTEREST RATES

Table with columns: Aug 1, Over night, One month, Three months, Six months, One year. Lists interest rates for various terms.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Aug 1, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer. Lists exchange rates for EMU currencies.

UK MONEY RATES

Table with columns: Aug 1, Over night, One month, Three months, Six months, One year. Lists money rates for various terms.

NON ERM MEMBERS

Table with columns: Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer. Lists rates for non-ERM members.

REALTY FRIENDS-II (STICHTING)

U.S. \$135,000,000 Mortgage Backed Floating Securities. Notice to Bearer Security Holders. Realty Friends-II (Stichting), the Issuer, which has its registered office in Curaçao, Netherlands Antilles.

Mortgage Securities (No.3) PLC

\$39,000,000 Class A2, \$15,000,000 Class A3, \$8,000,000 Class B. Mortgage backed notes due 2035. For the interest period 31 July 1996 to 31 October 1996 the notes will bear interest as follows:

BASE LENDING RATES

Table with columns: Bank Name, Rate. Lists base lending rates for various banks like Adams Company, Allied Trust Bank, etc.

US TREASURY BILL FUTURES

Table with columns: Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug. Lists futures prices for US Treasury bills.

NOTICE TO BEARER SECURITY HOLDERS

Any Bearer Security Holder wishing to obtain information on the status of this transaction is invited to contact: Messieurs Trust (Curaçao) N.V., 14 John B. Gonsalves P.O. Box 3889 Curaçao, Netherlands Antilles.

Republic of Croatia

Floating Rate Anticipatory Bonds (the "Bonds") Series A Due 31 July 2005. Notice is hereby given that the Rate of Interest has been fixed at 6.6875% and that the interest payable on the relevant Interest Payment Date January 31, 1997 against Coupon No. 1 will be US\$34.18 in respect of US\$1,000 nominal of the Note.

EURO CURRENCY FUTURES

Table with columns: Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug. Lists futures prices for Euro currencies.

EURO CURRENCY FUTURES

Table with columns: Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug. Lists futures prices for Euro currencies.

Temple Court Mortgages (No. 1) PLC

£175,000,000 Mortgage Backed Floating Rate Notes 2029. The rate of interest for the period 31st July, 1996 to 31st October, 1996 has been fixed at 6.07292 per cent. per annum. Coupon No. 27 will therefore be payable on 31st October, 1996 at £122.65 per coupon.

Republic of Croatia

Floating Rate Anticipatory Bonds (the "Bonds") Series B Due 31 July 2005. Notice is hereby given that the Rate of Interest has been fixed at 6.6875% and that the interest payable on the relevant Interest Payment Date January 31, 1997 against Coupon No. 1 will be US\$34.18 in respect of US\$1,000 nominal of the Note.

COMMODITIES AND AGRICULTURE

Diamond cartel problems spark Indian 'breakdown'

By Bernard Simon in Toronto

The Indian diamond cutting industry has been in a state of collective nervous breakdown since Argyle of Australia, the world's biggest diamond mine, left the cartel organised by De Beers of South Africa, according to Mr George Burne, a De Beers director.

Argyle is the biggest producer of small, cheap rough diamonds of the type cut by the Indian industry. Mr Burne said prices of these diamonds had fallen by up to 30 per cent "if you can find a buyer at all". He estimated that the Indian industry had suffered stock losses of \$300-million.

Mr Burne made his comments when launching what is likely to be an arduous campaign by De Beers aimed at persuading new diamond producers in Canada to market their output through its Central Selling Organisation, the London based cartel that controls about three quarters of the rough diamond market.

The initial target is BHP, Australia's biggest group, which is expected soon to start construction of Canada's first diamond mine, near Lac de Gras in the Northwest Territories.

Kennecott, a subsidiary of

RTZ-CRA, the Anglo-Australian mining group, is involved in another promising property close by. RTZ-CRA is also part owner and operator of the Argyle diamond mine.

Emphasising the effort put in by the CSO to maintain global diamond market stability, Mr Burne revealed that last year the organisation mopped up about US\$500m of stones pouring out of Angola where civil war had disrupted orderly marketing arrangements. He estimated total output in Angola was worth \$700m.

Mr Burne made his comments during one of several lunch-time presentations De Beers this week organised for nearly 100 analysts and mining executives in Toronto and Vancouver. Mr Burne told the Toronto group he was not confident at this stage that BHP would agree to channel sales through the CSO.

The Lac de Gras mine, which will come on stream at the earliest in the second half of 1998, is expected to produce a relatively high proportion of gem diamonds.

BHP has held exploratory talks with De Beers, but a BHP official said "we're continuing to watch the market and to explore all avenues available to us". A decision whether or

not to join the CSO will probably be taken about a year before the mine begins production.

Mr Burne, who appeared unaccustomed to the slick presentations typically put on by North American companies, said "diamond prices are naturally erratic, very much influenced by sentiment, and it is only the disciplines of CSO pricing which bring some order to the situation".

Mr Lou Clements, who heads De Beers' \$200m-a-year advertising account at J Walker Thompson, pointed to the company's heavy investment in advertising and publicity on behalf of diamond producers.

He said De Beers launched campaigns for the first time last year in Saudi Arabia, Kuwait, Oman, the United Arab Emirates, Turkey, India and Pakistan.

De Beers has been active for many years in diamond exploration in Canada through a subsidiary known as Monopros. So far, however, it has had little success.

Until the recent Northwest Territories diamond stampede, Monopros generally worked independently, rather than teaming up with the entrepreneurial junior exploration companies that are a feature of Canada's mining scene.

Impala Platinum strike 'largely tactical'

By Mark Ashurst

Impala Platinum, controlled by South Africa's Encor, said yesterday that its entire workforce of 25,000 had gone on strike, bringing all its mine and smelter operations to a halt.

Mr Ashurst dismissed the industrial action, in support of the National Union of Mineworkers' demand for a 9.5 per cent pay rise, as largely tactical. Negotiations with Impala are expected to resume this week, and the company has

indicated that it may reconsider its preliminary pay offer of 7.44 per cent.

Market sentiment was further buoyed by a report this week from the New York-based CPM metals consultancy, which dismissed speculation that the platinum stockpile controlled by the Russian Central government had dwindled.

Mr David Kramet, commercial director of Anglo American Platinum Corporation, agreed that reports of a world platinum shortage were unfounded, but predicted some

tightening of supply in the wake of last month's Amplats stoppage, which resulted in it dismissing the entire workforce at its Rustenburg mine, the world's largest producer of the white metal. Lost production as a result of the wild cat strike amounted to about 97,000 ounces and could not be made up.

The current supply surplus, estimated at 190,000 ounces last year, was set to decline, and traders would experience more difficulties in sourcing the metal, he said.

Shares of Amplats yesterday gained 80 cents on the Johannesburg Stock Exchange after reporting a strong performance for the year to June.

Its shares closed at R29.50 after heavy trading yesterday, as the market reacted to a preliminary announcement of a 30 per cent rise in net income after tax to R319.5m. Earnings per share increased 19 per cent to 190.3 cents a share. The total dividend for the year was 130 cents, up from 80 cents.

The wild cat strike at Rustenburg mine, which led to the

dismissal of 28,000 workers, occurred in the first month of the new financial year and did not affect the 1995 results.

Mr Leslie Boyd, chairman, forecast "similar" earnings this year, but warned it was "still too early" to assess the impact of the stoppage on this year's production.

The mine was "close to returning to full production" although the industrial relations climate remains volatile, he said.

Rustenburg posted a net profit of R511m (R542.2m).

CBOI members vote to continue overnight trading

By Laurie Morse in Chicago

The Chicago Board of Trade's grain markets moved a step closer to globalisation on Wednesday when members voted to allow the exchange's maize, soybean and wheat futures contracts on an overnight computer trading system. The contracts have been trading overnight on an experimental basis on the CBOI's Project A system since February.

"I am pleased our membership voted in favour of continuing trading access to our agricultural markets via Project A," said Mr Patrick Arbor, the CBOI's Chairman. "They have acknowledged

the growth potential that free trade agreements will bring to domestic and foreign agricultural markets. Our members have recognised the need to stay ahead of growing foreign competition and increase market accessibility for our customers."

For nearly two centuries the CBOI has been the principal market for grain futures and options trading. However, in the past decade the Tokyo Commodity Exchange on some occasions has overtaken its volume in maize futures, and in the past year, both the Maffi in Paris and the Sydney Futures Exchange in Australia have opened new wheat futures markets. Overnight

trading in grain on Project A has been very light - volume during the 10:30pm to 4:30am (central time) sessions was only 33,000 contracts in July, representing about 1 per cent of overall agricultural trading at the exchange - but it serves a useful purpose, according to Ms Diane Klemme, an executive at Atlanta-based Grain Services Corporation, and a member of the CBOI's agricultural advisory committee.

"What Project A does is provide market access at all hours, and market access is increasingly important as the world changes and becomes increasingly global," Klemme said. "Since open entry trading in

Chicago lasts only five hours, the bulk of international cash grain trading happens when futures pits are closed. This leaves domestic grain elevators and foreign buyers with little information about market levels for much of the day.

Project A "has been extremely useful to us in determining what price to pay producers before the [futures] market opens," says Mr Nick Huston, manager of the Colusa Elevator in Wever, Iowa. "Pricing grain is more of an art than a science, and before Project A, we couldn't be sure we were offering producers a fair price until the trading floor opened. Now, we look where the market ended overnight on

Project A, and bid for grain at those levels."

Mr Ed Zecina, head of Fimata's futures and options trading room in Chicago, said he has not noticed agricultural orders originating from Europe on Project A, but that there has been "decent" activity from Japan. "Tokyo traders are still cautious - they're waiting to see if the market develops. I'm sure we'll see more business down the line."

Ms Klemme said Project A was only one step toward globalising the CBOI's agricultural complex. "We have to take many different approaches, including direct links with other exchanges, to remain competitive," she said.

Explosion cripples a third of Mexico's gas processing capacity

By Leslie Crawford in Mexico City

A huge explosion at one of Mexico's largest gas complexes last Friday has temporarily crippled one-third of the country's gas processing capacity, caused the reduction of gas supplies to important industrial clients and forced the import of \$700,000 of gas products a day, according to Mr Adrian Lajous, head of Petroleros Mexicanos, the state oil monopoly.

Of the five gas plants at the

Cactus complex in the southern state of Chiapas - one of the largest gas processing facilities in the world - the two largest were almost certainly completely write-offs, Mr Lajous said this week.

"The old-timers in Pemex do not remember an accident of this magnitude," he added.

The explosions were caused by a liquid gas leak, which Mr Lajous blamed on human error. He ruled out sabotage. "One plant was completely destroyed. We are having discussions with engineers to

Pemex yesterday reported its crude oil output rose to 2.65m barrels a day in the first half of 1996, against 2.67m b/d in the same period of 1995.

Crude oil exports averaged 1.54m b/d in the first half of 1996.

The most significant increases in production came in the natural gas division, where output rose to 4.276m cu ft a day, a 16.8 per cent

increase over the same period in 1995. Natural gas output is expected to fall following the explosion at the Cactus complex.

Pemex's sales totalled \$13.4bn in the first half of 1996. The company posted a pre-tax profit of \$10.06bn (up 21 per cent over the first half of 1995), which was whittled down to a net income of 1.49bn after taxes and royalties were paid to the government.

each. Insurance loss adjusters are working to determine the cost of the damage.

Immediately after the explosion, said Mr Lajous, the company began flaring large

amounts of gas, "close to 1bn cubic feet per day", at Pemex's off-shore oil fields. He said natural gas production in the second half of the year would be constrained by the company's

reduced processing capacity.

The accident, in which six people died, has dealt a blow to Pemex's ambitions to continue expanding its natural gas output. In the first half of 1996, production rose to 4.276m cubic feet a day, a 16.8 per cent increase over the same period in 1995. It may also affect the Mexican government's efforts to attract private sector investment into the electricity sector. Most of the power projects being tendered are for gas-fired electricity plants, which has led foreign investors to ques-

tion the reliability of Pemex's natural gas supplies.

Mr Lajous said he expected the remaining three plants at the Cactus complex to resume operations by the weekend. In the meantime, Pemex had dramatically curtailed its own consumption of natural gas - particularly at its propylene and ammonia petrochemical facilities - Mr Lajous said.

The Federal Electricity Commission, which runs Mexico's power stations, had been asked to boost hydro-electric production or switch to fuel oil in

plants with double firing capacity.

"We also asked six big customers, mainly steel plants, to curtail their use of natural gas last weekend," Mr Lajous said.

Newspaper reports, quoting the recommendations of external oil consultants, blamed neglect of maintenance for the accident. Mr Lajous said he was satisfied with Pemex's allocation of resources for maintenance, but he admitted the quality and effectiveness of that expenditure was harder to appraise.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns for metal type (Aluminum, Copper, Lead, Tin, Zinc), price change, high, low, and open prices.

Precious Metals continued

Gold COMEX (100 Troy oz; \$/troy oz)

Table with columns for date, price change, high, low, and open prices for Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

WHEAT LCE (\$/cwt)

Table with columns for date, price change, high, low, and open prices for Wheat, Corn, Soybeans, and Maize.

SOFTS

COFFEE LCE (\$/cwt)

Table with columns for date, price change, high, low, and open prices for Coffee, Cocoa, and Sugar.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000 lbs; cents/lb)

Table with columns for date, price change, high, low, and open prices for Live Cattle, Hogs, and Pork.

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Table with columns for date, price change, high, low, and open prices for Crude Oil, Heating Oil, and Natural Gas.

SOYBEANS

SOYBEAN MEAL CST (100 tons; \$/ton)

Table with columns for date, price change, high, low, and open prices for Soybeans and Soybean Meal.

POTATOES

POTATOES LCE (100 tons; \$/ton)

Table with columns for date, price change, high, low, and open prices for Potatoes.

LONDON TRADED OPTIONS

Strike price \$/tonne - Calls - Puts

Table showing call and put option prices for various commodities like Gold, Silver, and Copper.

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel)

Table showing spot market prices for Crude Oil, Natural Gas, and other commodities.

PRECIOUS METALS

LONDON METAL MARKET

Table showing prices for Silver, Gold, and Platinum.

NATURAL GAS NYMEX (10,000 mcf; \$/mcf)

Table showing prices for Natural Gas.

UNBLENDED GASOLINE

Table showing prices for Unblended Gasoline.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBOI, NYCE, CME, and CFE.

INDICES

Table showing various market indices like Reuters, CBOI, and S&P 500.

JOTTER PAD

A grid for a crossword puzzle.

CROSSWORD

No.9,136 Set by BATS

A crossword puzzle grid with numbers indicating starting positions for clues.

- Across clues: 1 Country leader leaves for Italy, 5 Political unrest caused by integration of Turkish and Russian capitals, 9 Princess with Italian leading light, 12 Girl friend seen round university at regular intervals, 13 Name composer on the radio, 16 Fans of the elephant entertained by the Arsenal, 18 A bird - one better requires low shot, 22 A doctor brought up a live micro-organism, 24 String heard making notes together, 26 Flick a thin layer.

A crossword puzzle grid with numbers indicating starting positions for clues.

Handwritten Arabic text at the bottom of the page.

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under the Bermuda (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)\*\*

Table listing various offshore funds under the Bermuda (REGULATED)\*\* category, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under the Guernsey (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

GUERNSEY (REGULATED)\*\*

Table listing various offshore funds under the Guernsey (REGULATED)\*\* category, including fund names, managers, and performance metrics.

Lloyds Intl Money Market Fund Ltd

Table listing Lloyds Intl Money Market Fund Ltd funds, including fund names and performance data.

M & S (Guernsey) Ltd

Table listing M & S (Guernsey) Ltd funds, including fund names and performance data.

Bank of Cyprus Bank

Table listing Bank of Cyprus Bank funds, including fund names and performance data.

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Table listing Bank of Vancouver funds, including fund names and performance data.

TRUST CITY INDEX TO OFFER A TRADE ON TODAY'S US NON FARM PAYROLL FIGURES. We are the only people in the world offering a regular market on the most important number in the world. Our current spread is a rise of 22-23 points (one point = 10,000 jobs). It is just one more reason why we are known as the innovators in financial betting. City Index. Keeping ahead of the game. To open an account call Neil Murphy on 0171 975 1996.

Vertical text on the left margin: tactical, trading, capacity, PASSWORD.

Handwritten Arabic text: صكنا من الامل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Main table containing financial data for various funds and insurance companies, including columns for fund names, prices, and performance metrics.

Handwritten Arabic text: سوقنا من الامل

صوتنا من الداخل

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

Main table of fund prices with columns for Fund Name, Price, and % Change. Includes sections for Global, UK, and Offshore funds.

OTHER OFFSHORE FUNDS

Table of other offshore funds including ATIF, AXA, and various international funds.

SAVE YOUR POCKET MONEY. (CHILDREN GO FREE AT NOVOTEL)
Lots of hotels claim they welcome children. But at Novotel, kids under 16 really do stay free and enjoy a free breakfast when they share a room with two adults.

Table of fund prices for the Novotel advertisement section, including various international and UK funds.

Table of fund prices for the right side of the advertisement section, including various international and UK funds.

MANAGED FUNDS NOTES
Please refer to the notes on the back of this page for more information. This is not a recommendation to buy or sell any of the funds mentioned in this advertisement.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, share price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, share price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, share price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, share price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, share price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, share price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, share price, and change.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, share price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, share price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, share price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, share price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, share price, and change.

ENGINEERING - Cont.

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, share price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, share price, and change.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, share price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, share price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, share price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, share price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, share price, and change.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, share price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, share price, and change.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, share price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, share price, and change.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

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Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, share price, and change.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, share price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, share price, and change.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

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Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

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INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector with columns for company name, share price, and change.

Advertisement for recruitment services. Text: 'IS THERE A MORE ENTHUSIASTIC, SKILLED AND DIVERSE WORKFORCE IN EUROPE? I DOUBT IT'. Contact: 0800 22 0151. Email: mcrs@bt.com

صكنا من الامل

صحة من الامل

LONDON SHARE SERVICE

BY TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The British Trust for Ornithology' and 'The British Trust for Applied Science'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their financial details.

INVESTMENT COMPANIES

Table listing investment companies and their financial details.

LEISURE & HOTELS

Table listing leisure and hotel companies and their financial details.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) and their financial details.

LIFE ASSURANCE

Table listing life assurance companies and their financial details.

MEDIA

Table listing media companies and their financial details.

OTHER FINANCIAL

Table listing other financial companies and their financial details.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued) and their financial details.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies and their financial details.

PHARMACEUTICALS

Table listing pharmaceutical companies and their financial details.

PROPERTY

Table listing property companies and their financial details.

PROPERTY - Cont.

Table listing property companies (continued) and their financial details.

RETAILERS, FOOD

Table listing food retailers and their financial details.

RETAILERS, GENERAL

Table listing general retailers and their financial details.

SUPPORT SERVICES

Table listing support services companies and their financial details.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued) and their financial details.

TELECOMMUNICATIONS

Table listing telecommunications companies and their financial details.

TEXTILES & APPAREL

Table listing textiles and apparel companies and their financial details.

TOBACCO

Table listing tobacco companies and their financial details.

AIM - Cont.

Table listing companies on the AIM market (continued) and their financial details.

AMERICANS

Table listing American companies and their financial details.

CANADIANS

Table listing Canadian companies and their financial details.

SOUTH AFRICANS

Table listing South African companies and their financial details.

Advertisement for Rockwell Defence Electronics, stating: 'Communications systems produced by Rockwell Defence Electronics are used by the US government, NATO and more than 60 other countries around the globe'. Includes the Rockwell logo.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service... Company classifications are based on those used for the FT-SE Actuaries Share Index... Symbols relating to dividend status appear in the relevant column daily in a table to the left of the main table... Market capitalisation shown in brackets immediately after each line of stock listing... Estimated Net Asset Value (NAV) are shown for Investment Trusts... This service is available to companies whose shares are regularly traded in the London Stock Exchange for a fee of £200 a year for each company share, subject to the Editor's discretion.

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie gets a further lift from Wall Street

By Philip Coggan, Markets Editor

Another strong opening on Wall Street gave a lift to share prices in London yesterday, helping the market to shake off the effect of some disappointing figures from Shell Transport.

demand in the chemicals sector was coupled with news of retrenchment at Hanson's SCM chemicals subsidiary, at its worst, the fall in Shell, down 2 1/2 at one point, had knocked five points off the index.

dampened rate fears and caused a sharp rise in Treasury bonds and the Dow Jones Industrial Average. At the close of London trading, the Dow was 36 points ahead.

After two days when trading activity was bolstered by share buy-back programmes, volume yesterday was modest. By the 6pm cut-off, 631.5m shares had been dealt, of which 62 per cent was in non-FTSE 100 stocks.

Chemical fears hit Hanson

Shares in Hanson fell sharply following the international conglomerate's revelations about troubled chemicals trading.

stream business outside the US as the main reason for the decline. The shares surrendered 11 to 91 1/2p, on an otherwise strong day in the market, with volume rising to a hefty 10m as analysts downgraded full year expectations.

down helped lift it 9 to 181p. One participant said: "People came away with confidence." Realtrack was heavily traded for the second day running with yield-hungry income funds said to be in hot pursuit of the shares' 6 per cent dividend return.

up 20 per cent in two weeks, off 1 1/2 at 531p. Shares in Yorkshire Electricity, one of the five remaining independent regional electricity companies, jumped 26 to 707p, after it announced plans to increase shareholder value through the payment of an enhanced dividend.

with Varty of the US continued to recede. The group has recently been seeing analysts and institutions to explain the Varty deal.

Volume was a busy 21m with the traded options pits accounting for the equivalent of a further 2.4m, and once again there were clear signs of a big two-way pull for sentiment.

Mr John Toleser at the broker believes the figures are particularly disappointing given the good results produced by US based oil leaders and said: "The group needs to tackle its problem areas more aggressively. It needs to at least halve its cash burn."

Profit-taking left St George's, which had been in the doldrums since its takeover by the bank, down 1 1/2 to 209 1/2p, after a two-day advance of almost 5 per cent. Volume was again above average at 7.7m.

Profit downgrades, after a round of meetings with analysts, were said to be the reason for an 18 decline to 608p at electronics component distributor, Premier Farnell.

Off almost 30 per cent in absolute terms since January, the shares have been hitting seven-year lows lately and some sections of the City feel there is more bad news to come.

included one big downside deal with a buyer of 2,000 February puts needing the Hanson share price to fall to 135p in order to make a profit.

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There was no hiding the market's disappointment with second quarter figures from Shell Transport.

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CONTRACTS & TENDERS

DECLARATION SUGAR & INTEGRATED INDUSTRIES CO. (S.I.I.C.)

SUGAR & INTEGRATED INDUSTRIES Co. (SIIC) declares that the Head Office has been located at the HAWAMDIA Co. COMPLEX AT HAWAMDIA - GIZA PROVINCE, that was formerly located at 12 Gawad Hosny Street - Cairo.

NEW TELEPHONE AND TELEFAX NUMBERS ARE AS FOLLOWS:

Chairman & Managing Director: Tel: 018/305 865, 018/305 864, Fax: 018/304 257, 018/305 862, 018/305 863, Fax: 018/304 193, 018/305 548

In the meantime the following activities will still be located at the OLD HEAD OFFICE, 12 GAWAD HOSNY STREET - CAIRO.

Financial Affairs: Tel: 393 90 13, Purchasing Affairs: Tel: 393 43 43, Fax: 393 45 58, Sales Affairs: Tel: 393 45 52, Fax: 393 18 99, Legal Affairs: Tel: 393 18 77

Dated as of August 1, 1996 the Municipality of Budapest has officially announced the privatisation of its wholly owned Budapest Amusement Park Co. Ltd., Detailed Call for Tender document is available on Internet: www.fph.hu/sphome/vidam or at the privatisation advisor: Darwood Securities (Hungary) Co. Ltd.

CONTRACTS & TENDERS

INVITATION TO TENDER RECOVERY SCP SAUVAN & GOULLEQUER acting as Judicial Administrator nominated by Judgment of the Trade Law Court of Montpellier (FRANCE) the 31st of August 1995, for the judicial recovery of the following companies: "VITAMIN SYSTEM" and "NATURELLEMENT" located in Manguio (HERAULT, FRANCE), rue Guyennaise n. 11.

Table with columns: ACTIVITY, TURNOVER, SIZE. Rows include VITAMIN SYSTEM (Whole and retail sales of phytotherapeutic products, and food supplements), NATURELLEMENT (Financial sharing in dietetic products), VITAMIN SYSTEM 1994 (Mail Order: 28 MF, Retail Stores: 58 MF, Other: 15 MF, TOTAL: 101 MF), VITAMIN SYSTEM 1995 (Mail Order: 31 MF, Retail Stores: 32 MF, TOTAL: 63 MF), NATURELLEMENT 1994 (TOTAL: 60 MF), NATURELLEMENT 1995 (TOTAL: 13 MF).

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FT CREDIT RATING INTERNATIONAL

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A unique quarterly source of reference from FT Financial Publishing, essential to all players in the international credit markets - borrowers, investors and intermediaries alike. FT-Credit Ratings International provides the only comparative listing of the credit ratings assigned to around 6,000 international borrowers by the world's leading rating agencies: Dominion Bond Rating Service, Canadian Bond Rating Service, Dun & Bradstreet, Moody's Investors Service, Nippon Investors Service, Standard & Poor's Corporation, S&P - ADFE, Thomson Bankwatch. In addition multiple ratings of individual issuers are aggregated into the unique FT-CRI Composite Index.

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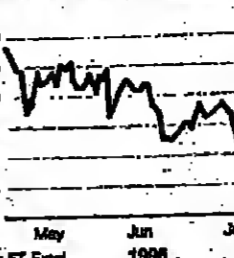
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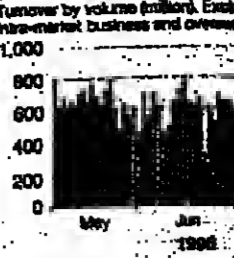
FT-SE-A All-Share Index



Indices and ratios table. FT-SE 100: 3734.4 (+31.2), FT-SE Mid 250: 4243.0 (+12.4), FT-SE-A 350: 1869.9 (+13.5), FT-SE-A All-Share: 1846.0 (+12.5), FT-SE-A All-Share yield: 3.93 (3.95).

Best performing sectors table. 1 Gas Distribution: +2.0, 2 Banks: +1.9, 3 Consumer Goods: +1.7, 4 Food Producers: +1.3, 5 Telecommunications: +1.2.

Equity shares traded



FT Ordinary Index: 2748.2 (+2.4), FT-SE 100 Fut p/e: 16.99 (16.82), FT-SE 100 Fut yield: 3740.0 (+36.0), 10 yr Gilt yield: 7.65 (7.70), Long Gilt/Equity yield ratio: 2.10 (2.10).

Worst performing sectors table. 1 Distribution: -0.3, 2 Building Mts: -0.2, 3 Diversified Inds: -0.4, 4 Building & Cons: -0.5, 5 Other Financial: -0.3.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) table. Sep: 3711.5 (3740.0) -28.5, Oct: 3721.5 (3750.0) -28.5, Nov: 3731.5 (3760.0) -28.5.

FT-SE MID 250 INDEX FUTURES (LFFE) table. Sep: 4542.0 (+12.0).

FT-SE 100 INDEX OPTION (LFFE) table. Sep: 3550, 3600, 3650, 3700, 3750, 3800, 3850, 3900.

EURO STYLE FT-SE 100 INDEX OPTION (LFFE) table. Sep: 3575, 3625, 3675, 3725, 3775, 3825, 3875, 3925.

Trading volume table. Major stocks yesterday: AstraZeneca, BHP, British Airways, etc.

FT GOLD MINES INDEX

Table with columns: Gold Mines Index (21), Regional indices (Africa, Americas, Europe, Far East, Latin America, Middle East, Oceania, South America), FT-SE Actuarial Share Indices (The UK Series).

Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE Mid 250, FT-SE-A 350.

FT-SE Actuarial Share Indices

Large table showing FT-SE Actuarial Share Indices for various sectors like Mining, Chemicals, etc.

Trading volume

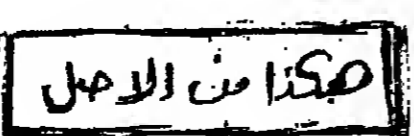
Table showing trading volume for major stocks yesterday.

Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE Mid 250, FT-SE-A 350.

FT-SE Actuarial Share Indices

Large table showing FT-SE Actuarial Share Indices for various sectors like Mining, Chemicals, etc.





Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including Austria (Aug 1/Thu), Germany (Aug 1/Fri), and Italy (Aug 1/Fri).

ASIA

Table of stock market data for Asia, including Hong Kong (Aug 1/Fri), Japan (Aug 1/Fri), and Korea (Aug 1/Fri).

AMERICA

Table of stock market data for America, including Canada (Aug 1/Fri) and Mexico (Aug 1/Fri).

AFRICA

Table of stock market data for Africa, including South Africa (Aug 1/Fri).

NEW ZEALAND

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Belgium (Aug 1/Fri) and France (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Taiwan (Aug 1/Fri) and Thailand (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Brazil (Aug 1/Fri) and Chile (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Egypt (Aug 1/Fri) and Nigeria (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Greece (Aug 1/Fri) and Ireland (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Singapore (Aug 1/Fri) and South Korea (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Argentina (Aug 1/Fri) and Colombia (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Kenya (Aug 1/Fri) and Morocco (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Portugal (Aug 1/Fri) and Spain (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Malaysia (Aug 1/Fri) and Philippines (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Peru (Aug 1/Fri) and Venezuela (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Algeria (Aug 1/Fri) and Tunisia (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Sweden (Aug 1/Fri) and Switzerland (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Indonesia (Aug 1/Fri) and Malaysia (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Uruguay (Aug 1/Fri) and Zimbabwe (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Botswana (Aug 1/Fri) and Lesotho (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Denmark (Aug 1/Fri) and Finland (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Vietnam (Aug 1/Fri) and Cambodia (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Ecuador (Aug 1/Fri) and Guyana (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Mauritius (Aug 1/Fri) and Swaziland (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Norway (Aug 1/Fri) and Iceland (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Laos (Aug 1/Fri) and Myanmar (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Bolivia (Aug 1/Fri) and Cuba (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Senegal (Aug 1/Fri) and Sierra Leone (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Luxembourg (Aug 1/Fri) and Netherlands (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Brunei (Aug 1/Fri) and Timor (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Paraguay (Aug 1/Fri) and Suriname (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Liberia (Aug 1/Fri) and Mauritania (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

EUROPE (continued)

Table of stock market data for Europe, including Cyprus (Aug 1/Fri) and Malta (Aug 1/Fri).

ASIA (continued)

Table of stock market data for Asia, including Bhutan (Aug 1/Fri) and Nepal (Aug 1/Fri).

AMERICA (continued)

Table of stock market data for America, including Haiti (Aug 1/Fri) and Dominican Republic (Aug 1/Fri).

AFRICA (continued)

Table of stock market data for Africa, including Chad (Aug 1/Fri) and Mali (Aug 1/Fri).

NEW ZEALAND (continued)

Table of stock market data for New Zealand (Aug 1/Fri).

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INDICES

Table of various stock indices including Argentina, Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, USA, and Vietnam.

US INDICES

Table of US stock indices including Dow Jones, S & P 500, NASDAQ, and various sector indices like Energy, Chemicals, and Technology.

NEW YORK

Table of New York stock market activity including volume, open interest, and price changes for various stocks.

TOKYO

Table of Tokyo stock market activity including volume, open interest, and price changes for various stocks.

AFRICA

Table of African stock market activity including volume, open interest, and price changes for various stocks.

Small print at the bottom of the page containing legal disclaimers and publication information.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

BE OUR GUEST. ÇIRAĞAN PALACE HOTEL Kempinski Istanbul. When you stay with us in ISTANBUL stay in touch with your complimentary copy of the FINANCIAL TIMES.

سوق الأوراق المالية

Continued on next page

4 pm close August 1

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'Continued from previous page' and 'A-Z'.

Table of NYSE stock prices continuing from the previous section, listing various companies and their market data.

Table of NYSE stock prices continuing from the previous section, listing various companies and their market data.

NASDAQ NATIONAL MARKET

4 pm close August 1

Table of NASDAQ stock prices including columns for stock name, price, and change. Includes sub-sections like 'Continued from previous page' and 'A-Z'.

Table of NASDAQ stock prices continuing from the previous section, listing various companies and their market data.

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AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, and change.

Table of AMEX stock prices continuing from the previous section, listing various companies and their market data.

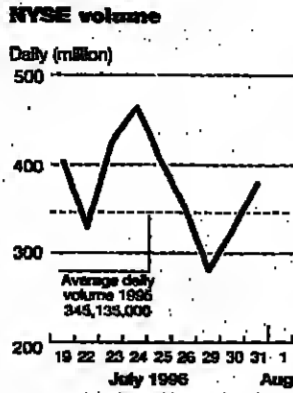
Table of AMEX stock prices continuing from the previous section, listing various companies and their market data.

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Interest rate prospect lifts equities again

Wall Street

US share prices jumped as new data supported the growing consensus that the Federal Reserve would not raise interest rates later this month...



The Dow Jones Industrial Average moved modestly higher in early trade and then soared at mid-morning after the National Association of Purchasing Management said that its index of business activity fell to 50.2 in July from 54.3 in June...

Signs that the economy might be slowing without an interest rate increase from the Fed also sent the bond market sharply higher, pushing the yield on the benchmark 30-year Treasury bond to 6.842 per cent, its lowest level since late May.

Late on Wednesday the company reported fourth quarter net income of 46 cents a share - excluding its purchase of Cray Research - slightly behind the 42 cents that analysts had expected.

By 1 pm, the Dow was 56.97 stronger at 5,585.88, and the more broadly based Standard & Poor's 500 rose 8.24 at 648.19.

NAPM data offsets damage in Dutch chemicals

Cyclical damage in the chemicals sector was all too evident in AMSTERDAM yesterday morning, with the Royal Dutch/Shell second quarter scathed by the 54 per cent profits drop in the oil group's chemicals operations and EVC International, Europe's biggest PVC producer, slipping into a first half loss.

However, the market was rescued by the encouraging NAPM data out of the US, and the consequent celebratory mood on Wall Street. The AEX index, having bottomed at 533.95, eventually closed 4.34 higher at 540.07.

Both Royal Dutch and EVC closed well off their worst. RD was F1.20 lower at F1.245.80, after F1.241.70, and EVC fell F1.110 at F1.47 after an early low of F1.42.50. The oil group disappointed analysts by predicting little change to the second half, and the PVC company said that it saw losses widening to the second half.

There were other losses elsewhere, notably in KNP BT, which fell another F1.50 to F1.36 after two more brokers cut their earnings estimates for the papermaker; but financials rose as the US data improved interest rate prospects.

FRANKFURT liked the US data, and the resultant lift in the Dow which left the Dax

FT-SE Actuaries Share Indices

Table with columns: Index Name, Daily Change, Open, High, Low, Close. Includes FT-SE 100, FT-SE 250, FT-SE 350, FT-SE 500, FT-SE 750, FT-SE 1000.

index 12.66 higher at 2,504.16 at the end of this trading. Turnover stayed moderate at DM6.3bn, down from DM6.5bn.

The recent strength in financials was supported, effectively, by the German economic institute, Ifo, which said the Bundesbank might lower the 3.30 per cent repo rate in the next few months. Allianz put on another DM30.40 at DM2,754.40 and Commerzbank DM5.30 at DM349.

The better transatlantic mood lifted SAP, the software giant and US investors' favourite, whose preference shares rose DM3.50 to DM217. These stocks, too, had a revival: Henkel, the shareholder value convert, put on DM1.24 at DM61.64 and Adidas, the sportswear group, DM4.40 at DM120.40.

PARIS turned positive after the NAPM data and the CAC-40 index came home 14.01 higher at 2,009.90, after 1,999.68, in turnover of FF3.5bn.

THE EUROPEAN SERIES

Table with columns: Index Name, Daily Change, Open, High, Low, Close. Includes EURO STOXX 50, EURO STOXX 100, EURO STOXX 200, EURO STOXX 300, EURO STOXX 400, EURO STOXX 500.

MILAN was encouraged by the day's US data but had largely discounted its own lower house of parliament's stamp of approval on the supplementary budget. The Comit index rose 4.98 to 604.73, while the real-time Mibtel index picked up from a low of 9,579 to close 66 higher at 9,705.

Similarly, there was further support for Peugeot, which rose another FF14, or 2.3 per cent, to FF268, reversing earlier declines on broker downgrades.

On the downside, Eurotunnel lost 20 centimes, or 2.45 per cent, at FF7.95 after it confirmed that its debt restructuring talks were not moving as fast as had been hoped.

MADRID pushed banks and

MILAN

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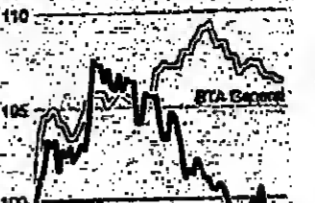
Generali was marked 1.96 lower at L34,736 as investors pondered whether the insurance group was paying too much to secure control of the Israeli insurer, Migdal.

Telecom Italia overcame early weakness which followed news that the company would no longer be able to charge new subscribers a compulsory advance payment on which no interest was paid. By the close, the shares were L37 higher at L3,907.

Investors took profits on Parmalat, marking the stock L56 lower at L1,885 after Wednesday's 6.8 per cent rebound.

Among smaller capitalisation stocks, the jewellery and watch maker, Bulgari, advanced L38 to L34,030 after releasing encouraging first half revenue figures on Wednesday.

PORTUGAL



LISBON was dragged down by the heavily weighted Banco Comercial Portugues, which dropped to an intraday low for the year of Esl,675 as the market prepared for the admission next Tuesday of 27m new shares from a recent capital increase.

The share subsequently picked up but still closed E23 weaker on the day at Esl,711 and the BTA general index gave up 17.3 to 2,766.4.

Elsewhere, Banco Espirito Santo turned back from a high of Esl,534 to finish Esl,527 weaker at Esl,517 in spite of an announcement from the Espirito Santo group of a 16 per cent rise in half year net profits.

BUDAPEST bounced after an eight-session losing run, the Bux index closing 33.67 higher at 2,899.04 in turnover of FF1.0bn.

Richter, the drugs group, put on FF50, or 8.3 per cent, at FF18,600, and accounted for about a third of the bourse turnover after very good first half results.

Written and edited by William Cochrane and Michael Morgan

Rescue fund rumours break Bangkok's losing streak

Rumours that a rescue fund worth B20bn (\$780m) might be set up broke a five-session losing streak for BANGKOK. The SET index rebounded by 3.25 per cent after a 33 month low, and an 18.2 per cent drop since July 4.

The key index closed 34.56 higher at 1,088.80, in turnover of B16.6bn. After hours, a senior broker confirmed that Thai mutual funds and local finance companies had agreed in principle to set up a support fund.

Financials and securities stocks, which had underperformed a little during the July setback, recovered by a slightly above average 3.4 per cent. Thai Danu Bank came back from a three day suspension, having announced an equity funding plan on Wednesday, and the shares rose B19 to B135.

Tokyo

Investment trust buying helped to overcome the yen's continued strength against the dollar and profit-taking by foreign investors, and the Nikkei average rose for the first time in four trading days, writes Emiko Terazono in Tokyo.

The 225 index closed 292.00, or 1.4 per cent, higher at 20,994.83. Its swing between 20,524.82 and 21,092.34 on the day took it down through the intra-day low of 20,827 on July 24. But the dollar regained some ground in the afternoon, prompting a rise in futures prices which, in turn, encouraged arbitrage buying.

Volume totalled 304m shares against 285m. Trading remained slow ahead of the release of US second quarter GDP figures and US labour statistics. However, investment trusts placed their buying orders as the Nikkei approached its 200-day moving average of 20,475.

The Topix index of all first section stocks rose 12.95 to 1,597.38, and the Nikkei 300 by 2.29 to 296.77. Advances led

ROUNDUP

Toothache gave JAKARTA a break from political drama, bargain hunters came following sharp falls on the worst days in the city in over two decades, and the JKSE composite index recovered 12.91, or 2.4 per cent, to 548.94.

A judge told a courtroom packed for the hearing of a lawsuit brought against the government by Ms Megawati Sukarnoputri, claiming that she was illegally ousted as head of the opposition Indonesian Democratic party, that the chief judge had toothache and that the case was being postponed for three weeks.

The yen's retreat against the dollar from the Y106 level helped high-technology stocks. Toshiba, the most active issue of the day, rose Y7 to Y710. Sony, which released first quarter earnings and forecast strong growth in annual sales and profits, added Y170 to Y8,990 on buying by overseas investors.

Car makers were also higher with Toyota up Y70 at Y2,660, Honda Y10 at Y2,590 and Nissan Motor Y18 at Y888.

Foreign investors sold trust banks. Mitsubishi Trust and Banking fell Y30 to Y1,750, and Mitsu Trust and Banking Y40 to Y1,120.

Some leading banks rebounded after selling on rights issues concerns. Industrial Bank of Japan rose Y20 to Y2,330 and Dai-ichi Kangyo Bank Y40 to Y1,840. However Sakura Bank declined Y20 to Y1,010.

Overseas investors bought steel issues. Nippon Steel rose Y5 to Y360 and Kawasaki Steel Y5 to Y384.

Speculative issues were mixed. Kanematsu, the trading company, rose Y22 to Y650. Daido Steel Sheet added Y130 to Y1,400 on margin trading, but Tokai Kogyo fell Y16 to Y814.

In Osaka, the OSE average

rose 100.73 to 21,965.90 in volume of 94.2m shares.

MANILA climbed on the Dow and on a 35 per cent jump in first half profits at PLDT. PLDT rose for the second consecutive day, ending up 35 pesos higher at 1,560 as the Manila composite index rose 80.20, or 2.65 per cent, to 3,108.64.

KARACHI crossed a key barrier to close 82.68 higher at 1,508.45 but brokers said that the 3.6 per cent rise was temporary and due to short covering, and that investors were still on the sidelines.

HONG KONG was lifted by a strong showing by properties and banks, helped forward by an overnight drop in the US long bond yield. The Hang Seng index rose 108.45 to 10,789.87 as turnover picked up to HK\$3.3bn.

HSBC rose HK\$1 to

HK\$124.50 and Hang Seng Bank advanced 75 cents to HK\$77.50; both are to report interim results on Monday.

In the property sector, Henderson Land rose HK\$1 to HK\$56.25 and Hysan 55 cents to HK\$21.50.

SINGAPORE'S Straits Times Industrials index rose 7.85 to 2,119.61. Transmarco, the trading company, dropped S\$1.50 to S\$8.50 on rumours that a major shareholder, which also had a substantial interest in the troubled Amcol, had sold out. Company officials declined comment.

KUALA LUMPUR continued to rebound after Tuesday's sharp drop, and the composite index finished 19.74, or 1.9 per cent, higher at 1,087.97.

United Engineers, which

Sao Paulo 2.4% ahead

Sao Paulo put in an unexpectedly strong performance, rising 2.4 per cent by mid-afternoon, as investors overcame lingering worries over Argentine foreign exchange policy after that country's new economy minister, Mr Roque Fernandez, insisted that no changes were planned. The Bovespa index jumped 1,490 to 62,723.

BUENOS AIRES also put in a good performance, rising 1.5 per cent at mid-session as investors put behind them

Wednesday's profit-taking in a market that had seen some stocks rise by 10 per cent over the previous two sessions. The Merval index was 8.04 higher in lunchtime trade at 597.13.

MEXICO CITY moved 1.5 per cent ahead, taking its lead from Wall Street, and with the IPC index punching through the July 23 peak of 3,031 which had become regarded as a strong resistance level.

By mid-session, the key index had moved to a 44.39 gain at 3,051.63.

S Africa golds higher

Johannesburg finished stronger, lured higher by the bright start on Wall Street. Industrials were reactivated, however, by the weak rand while gold and platinum stocks enjoyed strong gains on higher metals prices.

The overall index rose 4.0 at 6,510.9, industrials edged up 2.3 to 7,802.5 and golds made 30.7 to 1,802.3.

Western Deep Levels climbed R5.25 to R168.00.

Another gold producer, Harmony Gold Mining, rose 20 cents to R45.20, in comparatively heavy volume of 500,400 shares. Impala rose R2.75 to R67.75 and Rustenburg gained R2.50 to R74.50.

Pollfa, the petrochemicals and plastics concern, gained 6 cents to R7.60 in unusually heavy volume of 1.5m shares. Sasol, the oil producer, put on 65 cents at R45.80.

FT/S&P ACTUARIES WORLD INDICES

Large table showing FT/S&P Actuaries World Indices for various countries and regions. Columns include Index Name, Daily Change, Open, High, Low, Close. Includes Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Indonesia, Ireland, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, Americas, Europe, Pacific, World.

Advertisement for Rhone-Poulenc Shareholders. Title: INFORMATION FOR RHONE-POULENC SHAREHOLDERS. Subtitle: First half results 1996. Highlights: Increase in net income for the half year, in line with outlook FRF 1,410 billion (+ 9.2 percent). Increase in earnings per share to FRF 4.38 (+ 7.1 percent). More than FRF 5 billion in sales of non-strategic assets. Increase in net income: Consolidated net sales increased by 0.7 percent on a comparable structure. Sales in Pharmaceuticals and Animal Health rose 5.6 percent, while sales in Agro increased 5.1 percent, as recently launched new products begin to contribute to sales. In the Chemical Sector, the slight increase in volumes was not enough to offset the decrease in prices. Lastly, the business and the earnings of the Fibres and Polymers Sector were strongly affected by the very unfavorable market conditions in polyester, particularly in Brazil. Results linked to operations increased by 5.5 percent, on a comparable structure, due to a noticeable increase in sales in Pharmaceuticals (which began to benefit in the second quarter from synergies linked to the acquisition of Finns) as well as Animal Health and Agro. The Chemical Sector is showing an improvement in its results (+ 22.4 percent).

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Handwritten text in Arabic: سوق من الامل

